

Energy

Caltex pumps in PR to get mileage from CNG

by Rae Mazengarb

CALTEX OIL (NZ) Ltd — a quiet, if not astute, marketer and a company that has shown no eagerness to innovate or diversify — is about to change its image.

Caltex has tended to keep a low profile, with little overt concern for public relations. Apart from retailing petrol, it has had few commitments in New Zealand.

Its move into CNG — a logical one for an all "energy" company — nevertheless is a major step for a conservative marketing organisation. It is being closely watched by the rest of the Caltex Group.

The Caltex promotion is being carefully guided by ex-Mobil public relations man Tim Bayley, and former Shell man Grant Common, both of Network Communications. They admit that Caltex is

AT a time when concern was being expressed that the oil companies had been given the lion's share of our indigenous liquid fuel alternatives, Caltex Oil announced its proposal to establish a major chain of CNG outlets.

LPG retailers have criticised the Commerce Commission's approval of a pricing policy for bulk distribution of LPG by the Liquefied Gas Consortium; they publicly declared it a "rip-off" for the multinationals.

Now Caltex is poised to slide into the CNG market with planned investment of a "modest" \$23 million, after the Government had invested millions in incentives and distribution networks, and five years after CNG became a viable option for North Island motorists.

It has been more than three months since Caltex announced its CNG intentions at a press function at Parliament — a major event in the life of a company which had been operating here for 60 years but which had developed a reputation as an inherently conservative marketer.

Since the CNG plan was announced, few developments have been evident to the motoring public, but the Government is still promoting the fuel through television advertisements.

striving for a "new look". But they deny suggestions that the company is leaping on the CNG bandwagon. Rather, the Government's

It is almost as if Caltex was pressured to make the announcement when it did, even if the refinements of the marketing exercise had not been completed.

The Caltex announcement coincided with Colonial Natural Gas (NZ) Ltd's launch of a "no-capital outlay" scheme for converting private cars and company fleets to CNG.

Both announcements appear to have been carefully orchestrated. Hardly surprising, since a catalyst was needed to ensure the Government's stated target of 150,000 vehicles converted to CNG use by 1985 could be met.

Despite a raft of incentives provided by the Government — even the recent removal of the fuel from direct price control and the plan to drop the clumsy road user charges system in favour of a pay-as-you-go system for CNG-fuelled vehicles of less than 3.5 tonnes unladen weight — a "catch 22" situation had developed between the motoring public and potential CNG retailers.

Irregular supplies and few CNG retail facilities had dampened the public's enthusiasm for the fuel. And retailers were unwilling to invest the required capital to provide retail facilities with completed conversions at such a low level.

At the retail level, most CNG stations were "backyard" operations. Despite a clear Government policy to encourage the use of the alternative fuel, people were not queuing to convert their cars.

The promotion of CNG, indeed, was almost a shambles from the consumer's point of view. The answer was obvious, but highly capital-intensive. The way to get CNG on the road was to retail it in exactly the same manner that the motorist was served with petrol — through a reliable network of prime-sited filling stations.

Individual retailers were not willing to put up the required investment — around \$150,000 — without confidence in the immediate future of the fuel.

But Caltex, which had both the money and the existing service station sites, figured that the time and the market were ready for the establishment of a network of high volume CNG outlets.

The greatest soul-searching for the company, said Bayley, was that CNG would be competing with petrol.

Caltex reassured itself that it was in fact in the business of marketing "energy", like other diversifying oil companies.

It has been suggested that Caltex was premature with its announcement, but Bayley and Common said the company quickly found itself in the position of having to come "publicly clean".

The homework had been done — the overseas research on equipment, safety and other technical aspects. The company was talking with gas supply authorities and finalising equipment orders.

Probably the most to be surprised by the announcement were the retailers, 50 of whom will be dealing with CNG.

Bayley said that while it might seem the company has not been active since the February launch, it has since placed orders for all the equipment and has talked to more than 400 dealers.

Negotiations for choosing the key 50 sites are now "well down the track". They will be stations with two to three times the volume of the average outlet.

Generally, the industry and the public reacted well to the Caltex proposal. The Government, of course, was ecstatic.

Motor Trades Association executive director Max Barclay

said the statement was "welcomed", because the association's policy was to members to become involved with the distribution of the native fuels.

Privately, NZR understood a few eyebrows were raised among members about the company's movement into the indigenous fuel.

But some industry people have criticised Caltex's move to market CNG far from the gas pipeline.

The company will be operating a "mother-daughter" system where the parent makes it economic. Even that is a costly operation.

"Further from the line, the more technical problems are encountered," Bayley said.

If "daughter" stations are installed, the Government extended the pipeline into an area, those stations would become superfluous.

From a strict business point of view, Caltex faces a dilemma that even its critics only agree with. If the CNG price is held around half that of petrol, outlets must be carefully sited.

Unfortunately for most, far from the gas lines, there are economical outlets which are the main centres, where the conversion is at a place.

Caltex is adamant it will be in a monopoly system. For start, about 60 CNG stations — including private stations established by vehicle fleet operators — are already operating, and more planned.

Even when all the Caltex stations are operative in about 18 months, the company's market share will be proportionate.

Bayley and Common are quick to point out that there is nothing to stop anyone else from getting into the pipeline.

In fact, other oil companies looked at CNG, but decided not to proceed, though some of their dealers have gone it alone.

It is only a matter of time before Caltex announces the equipment — mainly from America — is on its way. The company will talk outside.

Environmental issues in planning approvals will have to be considered. But when it comes to the installation of millions of dollars of equipment, the work will be carried out by New Zealanders. Except for one overseas expert, the project has been thought out and implemented by New Zealanders.

Diversifying

CALTEX is rapidly diversifying its marketing strategy.

While New Zealand is the guinea pig for its CNG development, Caltex Australia is following Shell and BP in food retailing.

In conjunction with an American-based company, Munford Inc, it is converting some of its petrol stations into dual-petrol food outlets.

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NATIONAL BUSINESS REVIEW

Maverick insurer opts out

by Rae Mazengarb

LIFE insurance companies are fuming over the withdrawal of the Guardian Royal Exchange Assurance Company from the industry's "twisting" agreement.

The agreement is an ethical arrangement, intended to prevent "open slaughter" competition where life offices "twist" business from other companies. The Australian Trade Practices Commission ruled that such agreements were restrictive.

It decided that the Australian Life Offices Association, on which the New Zealand industry body is based, should withdraw its constitution. That body has been replaced by the Life Insurance Federation of Australia (LIFA), but the New Zealand Life Offices Association lives on.

Guardian Royal Exchange is not a member of the LOA, but it was party to the industry's twisting agreement. Just before the company

launched its latest insurance product, Saveguard, Guardian gave the LOA executive notice of its intention to withdraw from the agreement from January 31 this year.

The move has disturbed LOA members, who see it as an intention to "market by replacement".

They say it will disturb the equilibrium in the market place.

They are more concerned at what they claim is the question of ethics — the possibility of Guardian "stealing" clients and business from other companies.

Sources in the insurance industry say this type of action will cost the consumer, because the surrender value of original policies in many cases is unlikely to match the amount already paid in premiums.

The LOA — which consists of 13 life companies or mutual societies and represents nearly 75 per cent of the market — sets the standards for the life industry according to what it considers.



Colin Patterson... seeking clarification

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Securities Commission wants 'bite' in bark

by Klaus Sorensen

THE Securities Commission wants to sharpen its teeth.

It has asked for significant changes to the Act which governs its operation — to boost its public watchdog role.

The commission has suggested to Justice Minister Jim McLay a number of proposed amendments to the Securities Act 1978. The amendments were briefly referred to in the commission's annual report, tabled in Parliament on Thursday.

McLay also confirmed to NZR that "significant" changes were being sought, but declined to release details. But NZR understands at least one of the amendments seeks to establish the commission's right to make public

comments on various financial schemes and proposals, and perhaps allow it to issue public warnings on doubtful ventures.

It seems almost certain that the move to give the commission a statutory right to have a "public voice" stems from its highly publicised run-in with the Aqua Avia-Skybus promoters at the end of last year.

Commission chairman Colin Patterson issued warnings to potential Skybus investors that the society was "thoroughly badly constituted". The result was an angry response from the promoters, who claimed Patterson was exceeding his legal jurisdiction.

The spat between the commission and Skybus has apparently highlighted a legal loophole in the Securities Act

— one that the commission apparently wants filled as quickly as possible.

The encounter with the commission resulted in Skybus threatening legal action against Patterson.

It seems the commission now wants firmly to establish its authority, and wants to be able to make public assessments without the threat of landing up in court.

Section 10(c) of the Securities Act 1978 seems to hold the key to this particular amendment.

The section states that it is one of the functions of the commission to make public

CFM accord nearer

by Klaus Sorensen

CANTERBURY Frozen Meat and its largest, and unwelcome, shareholder, Primary Producers Co-operative Society, may be much closer to reaching an agreement than either of them realise.

NBR inquiries revealed last week that the main disagreement between the two is not whether the PPCS should have a shareholding in CFM, but

over boardroom representation. The CFM directors are worried that the PPCS will block-vote itself into total control of the meat processor's board.

But it seems that both may be able to agree to the PPCS holding four board seats out of 11, which would allow CFM chairman Ian McKellar and fellow director Ralph Satterthwaite to retain their seats.

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Timber!... they cried

by Warren Berryman

THOUSANDS of acres of prime pine forests and state forest cutting rights are the prizes for the winner of last week's battle for control of Henderson and Pollard.

Timber is in short supply and forestry giants and wood product manufacturers are scrambling to obtain supplies.

Henderson and Pollard, with 15,000 acres of prime clear pine forests and state forest cutting rights, was a prime takeover target.

A bold dawn raid on the stockmarket by Fisher and Paykel last week brought the appliance manufacturer's holding up to 40 per cent, thwarting a Feltex bid for 55 per cent control of H and P.

The bloodied Feltex was then faced with a new entrant in the race for the H and P shares.

Carter Holt, another timber-

rich company and itself the subject of an unsuccessful takeover bid from Fletcher's, moved into the market for uncommitted H and P shares.

Feltex, with its hopes for a controlling interest stymied, decided to cut its losses and sell its existing 23 per cent shareholding to the new bidder.

The buying spree left Carter Holt with a 30 per cent holding in Henderson and Pollard. Fisher and Paykel held 40 per cent, H and P family interests and uncommitted investors took up the remainder.

H and P directors saw Feltex as a threat to their company's independence and a possible threat to minority shareholder interests. They rejected the Feltex bid for 55 per cent of the shares.

H and P family holdings at press time stood between 11

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Nobuo Ohtushi's patrons relish the freshness of New Zealand snapper...



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Guardian rejects 'no poaching' insurance agreement

From Page 1

siders acceptable business practice.

It ensures that its members have paid the statutory \$500,000 to the Public Trustee, and that they have substantial financial backing.

But it has also imposed a code of practice since its establishment in 1906. In particular it has persuaded the industry to accept the view that twisting, or replacement of policies, must be discouraged.

Even some non-members (which include Government Life, Yorkshire General and Metropolitan Life, as well as Guardian) held to the tenor of the agreement.

There is nothing to stop a policy-holder from changing policies. He or she may see one which is better tailored to his or her particular needs.

But if an agent goes to a

policy-holder and persuades that person to take a policy with another company, a twist has been originated and the agent is penalised through the commission which goes to the company which sold the original policy.

The rule is a contentious one, because it can be applied to situations where the twist is, in fact, originated by the client. It depends on the time between the cancellation of the first policy and the taking of the next.

Executive director of the LOA Barry Bryant admits this is "rough justice" and that innocent twists sometimes invoke the penalty. But he said the association had tried to distinguish between the two situations and had found agents could readily describe any twist as "innocent".

Now the matter is determin-

ed purely on the basis of the "facts" as they appear. The client is not consulted, and never knows if the charge of twisting has been levelled at an agent.

"Agents don't like it," Bryant said. But they realised the agreement helped keep stability in the industry.

According to Bryant, Guardian was the only company which was openly marketing its products on the basis of encouraging the replacement of other products.

Guardian assistant general manager David Meldrum defended his company's stance on the grounds that initially, when the company signed the "twisting" agreement, it recognised there were problems with the rule.

It was never perfect, he said, because it could catch innocent cases. But the company also

recognised the advantages of becoming a party to the agreement. For starters, no other company could take business from Guardian without the penalties being invoked.

But when the company was ready to launch its new insurance pack, it could see the imperfections of the rule outweighing the advantages.

Meldrum suggested the insurance plan was new and could easily surpass other life products. Guardian advertises it as "a totally new concept - flexible savings accumulation and life assurance protection in the proportions that suit YOU."

The company could see the twisting agreement might cause great problems from a marketing point of view; agents could lose commission if they replaced "traditional" in-

surance policies with Saveguard.

"We could see ourselves in a situation where 70 to 80 per cent of cases (where the rule could be invoked) would be in the best interest of the policy-holder, when previously that figure was 10 per cent or less," he said.

Meldrum said the other companies "misinterpreted" Guardian's withdrawal from the twisting agreement. His company did not intend a wholesale assault on other companies' business.

So far only about 3.5 per cent of the new policies issued have been replacements for Guardian's older type.

And while Meldrum says there is no way of measuring how many new policy-holders are former clients of other companies, he argues it can't be more than 5 per cent.

Bryant admitted it was too soon to gauge the extent of the twisting.

But he is critical of methods which, he said, bring the whole industry into "bad odour".

"I don't believe replacement of business is an acceptable marketing method in this country," he said. Even overseas where marketing methods are changing, the industry regard twisting as unethical, he maintained.

But he expects the situation will be "sorted out in the market-place".

Guardian now loses protection against commercial plunderers, but Bryant said it

was unlikely such a retaliatory response would come from other companies. "The twist rule is being planned," Fletcher Challenge, in conjunction with two German companies, has just finished preliminary investigations of

the area and a prospecting licence to cover 193,330 square kilometres was issued last week.

The Sonne, the German ship used to make the preliminary investigation, has returned to Wellington.

Twenty-five tonnes of phosphates were brought back and are "sitting in a yard at Tawa," according to Richard Bentley, who is in charge of the Fletcher Challenge side of the venture.

Who would do the field trials

has to be decided - "We'll distribute it to anyone who wants it," Bentley said.

The German interest has been in testing deep-sea mining technology.

According to Bentley the

German grab was "absolutely marvellous. But the coring device was lost. It got left on the bottom of the sea."

The Germans will look at the geological and mineability aspects and have taken representative samples back to Germany.

Fishing interests have been concerned the mining will disrupt fish life. But Bentley said that while the problem needed to be addressed, it was not a major one. "We will produce a technique that will have minimum impact on the environment," he told NBR.

On the last leg of the cruise the rock sampled averaged 120 parts per million of uranium.

Land-locked deposits with 100 parts are considered economic to mine but the inaccessibility of the Chatham phosphorite has raised speculation that the companies might be looking to mine uranium.

"By 1988-90 we'll be importing a tremendous amount of expensive rock from outside Oceania," he said.

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Joint agreement to mine Chathams phosphate near

by Ann Taylor

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The Germans will look at the geological and mineability aspects and have taken representative samples back to Germany.

Fishing interests have been concerned the mining will disrupt fish life. But Bentley said that while the problem needed to be addressed, it was not a major one. "We will produce a technique that will have minimum impact on the environment," he told NBR.

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Land-locked deposits with 100 parts are considered economic to mine but the inaccessibility of the Chatham phosphorite has raised speculation that the companies might be looking to mine uranium.

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the area and a prospecting licence to cover 193,330 square kilometres was issued last week.

The Sonne, the German ship used to make the preliminary investigation, has returned to Wellington.

Twenty-five tonnes of phosphates were brought back and are "sitting in a yard at Tawa," according to Richard Bentley, who is in charge of the Fletcher Challenge side of the venture.

Who would do the field trials

has to be decided - "We'll distribute it to anyone who wants it," Bentley said.

The German interest has been in testing deep-sea mining technology.

According to Bentley the

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The week

Joint-venture fish 'dumping' angers local industry

by Allan Parker

JOINT-venture fishing vessels are breaking a gentlemen's agreement within the fishing industry by selling part of their

catches on the local market.

The practice is squeezing domestic fishermen, who rely on the local market for their livelihood. But joint ventures between New Zealand and

foreign fishing interests are intended to be concerned largely with the export market.

Now the domestic industry is pressing the Government to stop the local joint venture

sales through legislative or regulatory controls.

At present there are no controls except a gentlemen's agreement not to disrupt or damage the domestic fishermen's market by dumping cheaper fish into local fish stalls.

The agreement, by general consent, has extended to what is in effect a veto on any joint venture sales in New Zealand.

But recently, joint venture fish has been sold through retail outlets in Auckland, Wellington and Dunedin.

Most of the fish has come from Soviet boats fishing off the New Zealand coast in partnership with New Zealand companies, industry sources claim.

The fish that is being sold is mostly orange roughy and oreo dory, marketed as perch and dory.

Pressure from the Federation of Commercial Fishermen stopped sales in Wellington. But they continue in the other two centres.

Last week, incensed local

fishermen sailed into battle against the Russian flotillas.

Port Chalmers fishermen asked the federation to press for a ban on the practice.

Their remit was debated at the annual convention of the federation in Auckland.

Voting was to have taken place late last week, after *NBR* went to press. But industry sources were confident the remit would be adopted.

The Dunedin request was blunt: "That there be no sales of joint venture fish on the local market."

The southern fishermen added: "The legal position is clear enough (there are no controls) but it is considered that any joint venture fish on any local market is fish we can't sell."

Outgoing president Ted Collins agreed. Reporting to delegates, he said: "Joint venture fish is continuing to be sold in New Zealand and has resulted in the loss of some traditional markets previously enjoyed by domestic caught fish."

"In one area (Auckland), local boats were on limits for terekihi while joint venture fish was being sold in that city."



Outsiders in the gun.

It is high time that more control was exercised over these landings and that the Fishing Industry Board be asked to monitor the sale of any joint venture caught fish sold on the local market."

Privately, however, fishermen remain sceptical that their protests will result in an official clampdown on the practice.

Fisheries Minister Duncan MacIntyre told last week's convention that they will have to live with joint ventures until local fishing interests are able to take over their role as deep-water resource developers.

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Editorial

IN the United States — the bastion of free enterprise — investment is heavily regulated and the public interest is safeguarded (perhaps unduly) by a well-fledged Securities Exchange Commission which makes our own Securities Commission look like a pup. But the pup aspires to grow quickly, and to bite.

The SEC was set up in the Depression years, in the wake of a Wall Street collapse which heightened public perceptions that something had to be done to protect investors. Thus the legislators provided it with wide enforcement powers. It can bring suits against companies to secure injunctions which constrain them from taking actions it considers improper. It has broad scope to regulate broking dealers and to scrutinise Stock Exchange listings. It has broad investigatory powers (the effect of its merely announcing an investigation can have a telling effect in the marketplace). It can bring enforcement proceedings. It is involved in commodities regulation. It can rescind takeovers it considers have been improperly accomplished. And in recent years, it has been involved in the area of corporate governance and morality, by fostering shareholder democracy.

Our Securities Commission emerged much later, in the wake of the JBL and Securiticbank collapses. Under the initial draft legislation aimed at restoring investor confidence, there was no provision for a Securities Commission, but draconian powers were to be given to Justice Department officials. But neither Parliament nor the Justice Department had demonstrated any effective capability for

coping with company law reform, and the weight of evidence to the parliamentary select committee prompted a re-think in favour of an independent body to assume responsibility both for company law reform, and to police the securities market. Part I of the resultant legislation came into force on May 1 1979, enabling the commission to operate and exercise certain powers in advance of the substantive provisions of Part II of the law taking effect.

The appointment of Colin Patterson as chairman was something of a coup. He has a reputation as a shrewd commercial lawyer. Because of his prestige, much weight will be given by the Government to the legislative reforms which his commission recommends.

The commission's priority has been to reform the law to ensure that investors are fairly informed of the facts relevant to their investment decisions and that the rules are workable in the marketplace. But it has kept a low profile, favouring the softly-softly approach. In April last year, it produced draft regulations to control advertising relating to the public offering of securities, to contents of prospectuses required for certain public offerings, and to incidental matters. Submissions were sought before May 31 1980 (more than 70 were received), and the commission hoped to recommend the implementation of Part II of the Act, along with the regulations, as soon as practicable after June 30 that year.

Work on the draft regulations has obviously been more time-consuming and difficult than was expected. Patterson's aim has been to win the co-operation of the

business community, persuading it to support his belief that full disclosure enables those considering investment prospects to find out all they need to know, thereby allowing the market to regulate itself.

But business people — concerned, among other things, not to help their competitors — tend to balk at frank disclosure. They are inclined to resist reform, too, because of the administrative burden required in preparing the necessary prospectuses and notices when they want to make a public offer.

Late last year, as if to prove the point, the Aqua Avia Society flew into the picture with Skybus. If people are going into the market to raise money in advance against no security, shouldn't they meet the requirements of a company and issue a prospectus? The problem posed by the Skybus venture was to distinguish a commercial operation, under the guise of an incorporated society and trying to raise funds, from, say, a football club. (In principle, of course, if somebody wants to set up an airline, nobody should stop them, and a highly regulated transport sector which precludes the establishment of a new airline encourages entrepreneurs to find legal loopholes as Aqua Avia did).

But Patterson chose to publicly warn potential investors that the society was "thoroughly badly constituted", and their threats of legal action against him seem to have spurred efforts to reinforce the commission's authority to allow it to make public assessments without fear of retaliatory litigation.

The commission maintained it was not concerned about the merits of the Skybus

proposal as an investment, but — as commission director Bruce Ransome explained — was "most unhappy about the prospect of relevant information available to those being asked to join the society". It is reasonable that investors be afforded protection at least of knowing the nature of the venture in which they are putting their money. It is reasonable, too, to expect public to place some faith in the expertise and integrity of bodies such as the Securities Commission established by the Government. If the commission's effectiveness requires protection from public writs, it should be given that protection (provided it does not act from malice).

More fundamentally, whether Patterson is required to issue such cautions apparently is uncertain. If he is, then the powers must be clarified. The commission demands urgent attention, because it must be resolved before the commission can publish its proposed legislative rules under Part II of the Securities Act. If some of the changes sought by the commission — according to Justice Minister McLay — will significantly widen powers, and apart from the Aqua Avia fair, there has been nothing to indicate whether more powers are needed. (McLay acknowledges that it is open to question whether broader powers are appropriate.) Thus Patterson — and the Government — must be wary that they do not rush to give the commission so much that it discourages risk-taking, rather than encourages the calculated risk-taking that is supposed to be its objective.

— Bob McLay

Without word of a lie

Rob's whey

WE QUOTE the following exactly as it appeared in *My Way*, by Prime Minister Robert Muldoon:

"In retrospect, it may be claimed that Sid Holland (later, of course, Sir Sidney) was not a great prime minister and, as I remember him, he was not a man of great sensitivity or intellectual accomplishment, either."

Of course, for us real intellectuals, spelling don't count.

Court out

A CAUTIONARY word to politicians: mind your promises.

A district court decision in Oslo has shown that election promises blandly made on the hustings can have costly consequences. According to a recent edition of *The Economist*, the then minister for industry promised a state-owned textile factory's employees during Norway's 1977 campaign that none would lose their jobs.

In 1979, some did, and three sued the Government for breach of promise. The court ruled the Government must pay them the equivalent of what they would have earned had they retained their jobs until retirement.

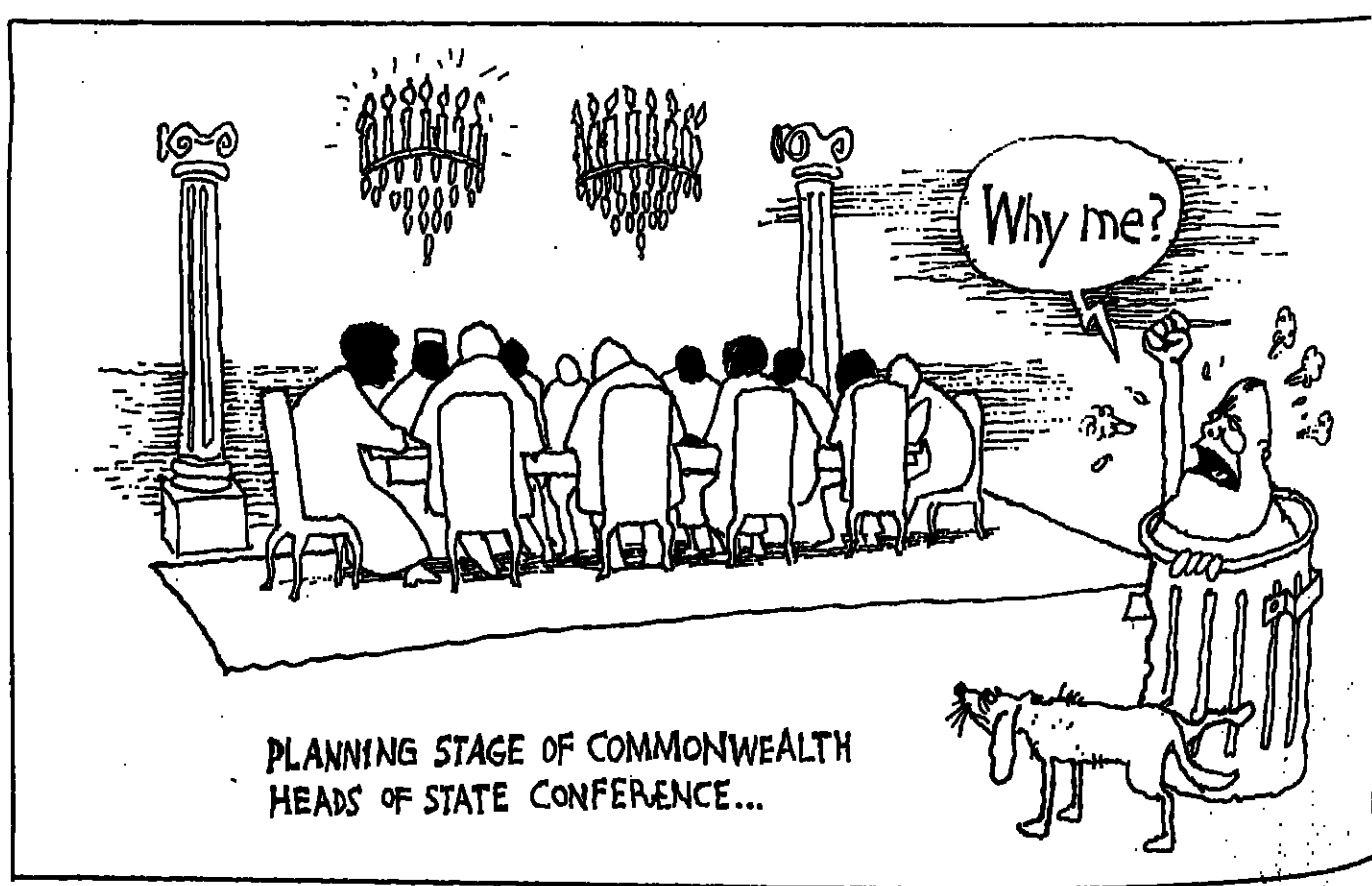
It would be nice to think that the precedent might make candidates a little more restrained when drumming up votes here in November...

Matt goes missing

THERE appears to be some confusion at the Aqua Avia Society, promoters of the Skybus idea, about channels of communication.

Chairman Sir Reginald Barnwell says he has lost chief executive Matt Thompson somewhere in the United States or Britain. Thompson is there somewhere to tie up aircraft supply deals

Brookie's view



but Sir Reginald says he has not heard from Thompson since he left.

"I've done everything I can to find him," he moans Sir Reginald. The only report he's had is via the British press.

We can assure the mystified chairman that Matt and the company's vice chairman Dennis Thompson (no relation) have been in touch with his office by telephone and telex, sending news from Britain about the signing of the deal to get a Viscount aircraft.

On the slow track

SOUTH Pacific Aluminium Ltd is busy crossing its T's and dotting its I's on the environmental impact report on the Aramoana smelter.

The report, first expected at the end of March, then mid-May, then early June, and now a month away, is required as "soon as practicable" after application is made for "fast-track" procedures to apply under the Na-

tional Development Act (in this case April 20). The delays have pushed the audit of the long-awaited report close to the time when the report on the Queensland dam is expected and the August tribunal hearing on Synchrotron Phase II Ltd's application to build a synchrotron plant.

The effect will be to stretch the resources of the Commission for the Environment, and might not be able to give the report, at all, might not be able to give the report, at all, might not be able to give the report, at all.

The Indispensable Man and automated purse strings

by Heather Marshall

IT all started with this new technology. Fifteen years ago most firms processed their payrolls through book-keeping machines, or a couple of moderately intelligent clerks were shut up in the pay office with a simple manual system. They picked up errors before the money went into the pay packets and they were happy, relaxed people.

Then along came the silicon chip. Brisk young programmers, with no idea of the complexities of a factory payroll, turned out package deals and told company secretaries to get rid of the junior clerk.

From now on, one person could cope with the job and still have time to spare. The junior girl went unwillingly into a nice little job helping the head storeman with his packing slips, and the middle-aged clerk accepted the new regime with his mind on his mortgage repayments, and an ear on the accelerated rate of his heart beats.

Three months later he resigned. During that time, he'd paid an employee 400 meal allowances in one week, postponed for seven years all direct credit payments into the workers' bank accounts by putting the date in the little boxes as 070777, instead of 070770, paid several men twice in one week and left out several others by transposing two digits of their computer numbers, and paid one woman at the rate of 3000 dollars an hour.

He resigned the day he put Y in the wrong box and wiped all the information from the computer for ever and ever and ever.

A month later, the accountant, the personnel manager and a couple of the brighter accounts clerks gave up their Easter break because the factory staff were threatening to stop work if they didn't get their tax forms within the week.

They shut themselves up in the board room with a mountain of dog-eared computer sheets and tried to reconcile the tax on 600 IR12's with the ludicrous company total thrown out by the computer. The realists among them went home on Sunday afternoon and tried to salvage what was left of the long weekend, when they realised the ex-pay clerk hadn't understood the need to keep certain vital records.

The accountant gathered up armfuls of computer sheets and went to the Inland Revenue

Department and threw his company on its mercy. The department showed a tolerance not usually associated with it. It allowed each company one really good foul-up in the first years of computerisation.

Since those early days, things have changed. We have the paymaster, a real stayer, who learns from these experiences. He picks up the rudiments of the system with one firm, then moves on to others, for a few months each, leaving chaos behind him, until at the fourth or fifth attempt, everything falls into place. He has mastered the system. And he has his employer over a barrel.

He is the indispensable man. His only concern now is to choke off any attempt by the company to take him on an understudy. He agrees with the company secretary that there should be one, and smiles tigerishly at the cheerful youngster who is apprenticed to him. He gives the youth a half-hour run-down on the system, hands him a couple of in-pit sheets and the clock cards of all factory staff on split shifts, and leaves him to it.

On pay day, the night shift look at their pay slips, see what inexperience can do to their livelihood for the next week and walk off the job. The shop steward won't allow the day shift to start in the morning, until the night shift have had their corrected pay packets delivered to their homes.

The paymaster clucks sympathetically to the quivering clerk, brings out the totals he's worked out, manually, for the night shift and sets to work. By mid-morning a convoy of taxis and company cars has delivered the pay envelopes to all night-shift staff, most of whom have chosen to live in the remotest areas of the district. The wheels of industry turn again.

The paymaster clucks straight again, but the understudy has scuttled back to production planning and can't be lured out again.

If a new man is brought into the company at a higher salary than the paymaster approves, he reads the situations vacant columns in the morning paper over lunch in the cafeteria, pencilling squares around all ads headed "Paymaster."

In the afternoon the accountant finds time to stop off at the pay office and tell the indispensable man what a good job he's doing and

there'll be a memo during the afternoon authorising him to pay himself another thousand a year.

When the company is facing liquidation and the office staff is halved as an economy measure, again our man is advantaged as he works overtime making up redundancy pays. And when the company collapses altogether, he's the last to go.

While the rest of the staff is besieging the employment agencies or the Labour Department, and before deciding which of several lucrative offers for his services he will accept, he's making up the managing director's final salary cheque.

Heather Marshall is the chief personnel officer of AWA.

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Look who's riding the bandwagon these days

by Dave Witherow

TEN years ago — five years ago, for that matter, — few outdoor sportsmen saw themselves as conservationists. (I can remember hearing the term "environmentalist" used as an epithet of those at an acclimatisation society meeting.)

The outdoors publications until recently reflected this prevailing attitude — the big wilderness was a playground for unreflecting fun.

Fine: but there is now a new awareness in the air. The playground is under terminal siege.

Not before time, then, field sportsmen are finally avowing the cause that was always really theirs. And their journals bristle with letters and articles that, for militancy, have no equal in New Zealand.

This feeling is by no means universal. Dim ducks and dumb anglers abound and somehow contrive to imagine that their pursuits will remain compatible with the great resources Ltd's application to build a synchrotron plant.

The effect will be to stretch the resources of the Commission for the Environment, and might not be able to give the report, at all, might not be able to give the report, at all.

The point is that a whole new battalion has joined the colours — a point established with some emphasis at the recent "Save the Rivers" conference in Wellington.

But this expanding clan is in the odd position of lacking — in any credible sense — a political focus. The Values Party, which formerly served in this capacity, survives now only as a sort of disembodied national conscience. And the environmental specifics of Social Credit remain to be assimilated.

Into this simmering stockpot of ecological possibility there have been sprinkled the irrelevant blatherings of the OBOD's touring band of

environmental voyeurs. These good people — many of them hailing from the very heartlands of environmental blight — had the presumptuous bloody gall to advise us what to do.

Some of us know exactly what to do. And fiddling with the pecking order round the Beehive, as recommended, or promoting complementary expansions and contractions of the bureaucratic circus, has got nothing to do with it.

The future holds only two discernible pathways for this society, and our dissembling masters have made their unimaginative choice. It matters very little, this being so, what cosmetic arrangements are provided.

Perhaps I am a little cynical as to the real function of the Minister for the Environment. In any administration dedicated to "progress" at all costs, his position must be extremely compromised.

At best he may hope to dissuade his rabid Cabinet colleagues from their more outrageous desecrations, or, failing that, insist on decorations for the corpse.

The previous Minister, Ven Young, who was also Minister of Forests, suffered from what might be termed euphemistically a shortage of credibility amongst the green brigade. And while Shearer may have begun his tenure with the best of goodwill and credentials, I predict that he shall soon begin to cook, unevenly, at medium heat.

The whole set-up is most peculiar, really. I can accept the rationale behind a body such as the Commission for the Environment, whose often adversary role is quite straightforward. But a Minister for the Environment is like employing a resident vicar in a whorehouse.

Dave Witherow is a Dunedin zoologist and occasional fishing and environmental writer.

NATIONAL BUSINESS REVIEW

Published by Fourth Estate Newspapers Ltd
Managing Director: Reg Birchfield
Marketing Director: Ian F Grant
Production Manager: Ralph Green
Accountant: Robyn Pickett

Wellington Head Office:
15 Blair Street, Wellington, NZ PO Box 9344
Tel: 736-876 Cables: Netbus

Editorial:
Editor: Bob Edlin
Business editor: Klaus Sorenson
Sub-editor: Warren Mayne

News & Features:
Colin James, Rae Mazingarb, Stephen Ball, Jack Hadder, Allen Parker, Ann Taylor

Advertising Sales:
Manager: Paul A.C.S. Lee

Subscriptions:
Ian Daniel

Auckland Office:
1st Floor, Shew's Building
38 Fort Street, Auckland
Tel: 788-304 (Editorial)
Tel: 788-894 (Sales)
PO Box 1734

Bureau:
Warren Barryman

Shew's (Circulations & Subscriptions):
Pete Hermans

National Business Review Incorporated is a registered publication weekly (except last week December and first two January).

Set and composed by Fourth Estate Newspapers Ltd
Printed by R Lucas & Sons Ltd
118 Kapiti Road, Parnaparaumu

Singles Copies: 80 cents
Subscription: NZ\$30
Member ABC (Audit Bureau of Circulations)

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Economics

Factor taxes: taxing farmers without tears

Economics Writer

FARMERS create headaches when it comes to tax reform. Just where do they fit in? The farmers argue that they are too highly taxed. They say high marginal rates of income tax act as a disincentive and discourage them from investing on their farms.

And yet, farmers are lightly taxed, compared to most salary and wage earners.

The Labour Party has taken the bull by the horns. In a recent speech, Bill Rowling promised a factor tax system to replace existing taxes on farmers. This tax is aimed to encourage farm production while at the same time raising taxes for lazy farmers.

A factor tax works something like this. It is assessed on the farmer's capital assets, rather than his income. If the tax rate was 5 per cent, two farms each valued at \$200,000 would be assessed a tax of \$10,000.

Hard-working farmer A who earned an income of \$100,000 would end up with an after-tax income of \$90,000. Lazy farmer B who earned only \$15,000 would be left with an after-tax income of only \$5,000.

At first glance, a factor tax seems ideal. Instead of taxing farm income, the profit from the farmer's own effort and

managerial ability, a factor tax would tax his gain from capital assets.

An enterprising farmer is given every incentive to develop his farm to the fullest extent possible. The unenterprising farmer is forced to make better use of his capital assets or eventually his tax burden will be so great that he will be forced to make way for a more efficient farmer.

A factor tax would improve on aspects of company and income taxes which are presently assessed on farmers. The amount of the tax would be known in advance and could be taken into account when farmers were planning for the season ahead.

The tax would be a fixed cost, like interest. It would reward farmers working on their own land and penalise Queen Street and Featherston Street farmers looking for a tax loss to avoid personal income taxes.

Since the factor tax would automatically rise with increasing land values, it would act as a constraint on farm land prices. This, and the fact that a factor tax rewards efficiency, would assist young farmers breaking into farming.

A factor tax sounds good in theory. But it may not be so easy in practice. The problem is to measure the value of farm-

ing assets and to calculate the interest or rent on these assets.

It is important that the tax be limited to the rent of these assets or otherwise it will tax away the farmer's valuable working capital.

Part of the farmer's profit comes from his farming assets. The difficulty is to separate that part of his profit from the income he earns through his managerial ability.

Conversely, part of the value of the farmer's capital assets comes from his own efforts and that part should be separated from the taxable part.

One possible scheme is that the standard profit of each farm is decided upon, this being the income which a farmer of average efficiency, using normal methods of farming, would derive from the farm.

This is no easy exercise. It involves an assessment of the pro-

ductive capacity of each farm in the country based on the prices received for farm products and the cost of labour and materials at a selected date.

Another way of looking at the problem is to measure the unimproved value of the farmer's land and attach a tax to this. But as local governments have found, it is practically impossible to sort out the unimproved value of the land.

No matter how you look at it, some standard profit or other standard means of valuing a farmer's capital assets will need to be applied if a factor tax is introduced. To the extent that this standard varies from the true value of profits or assets, there will be winners and losers.

To make a factor tax as attractive as possible, it is likely that any government will attempt to minimise the number

of losers. This means that the rate of the factor tax or the value of the assets on which the tax is assessed will be so low, that there will be very little incentive for farmers to become more productive.

All the factor tax will be, then, is a compromise. It reduces the amount of taxes farmers pay and makes other taxpayers think that farmers are being taxed.

As New Zealand's Taxation Review Committee pointed out in 1967, a factor tax is clearly discriminatory. It is applied to only one sector of the economy. Its principal purpose is stated to be the promotion of farm efficiency, but if efficiency is to be the measure of the tax burden to farmers should not such a measure be applied to the rest of the community?

And the tax could present problems for farmers in years

when their productivity is low. The tax takes no account of unexpected circumstances such as drought or flood. These would reduce a farmer's income and his ability to pay tax.

In New Zealand, where farm price movements are quite beyond the farmer's control, there can be no certainty that farm incomes will be high enough in every year to pay a fixed factor tax. In some years, even the efficient farmers will find such a tax especially burdensome.

Another problem pointed out by the Taxation Review Committee is that much Maori land is under-utilised. A factor tax could present acute problems for the Maori owners, unless special provisions were made.

Despite the disadvantages of a factor tax, it may still be an improvement on the existing systems of taxing farmers.

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Thursday	30 July 1981	1.00 p.m. - 7.00 p.m.
Friday	31 July 1981	1.00 p.m. - 7.00 p.m.
Monday	3 August 1981	1.00 p.m. - 7.00 p.m.
Tuesday	4 August 1981	1.00 p.m. - 9.00 p.m.
Wednesday	5 August 1981	1.00 p.m. - 7.00 p.m.

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South Pacific

Fiji queries FCL's role

by Warren Berryman
THE Fijian Government and Fiji Pine Commission have questioned Fletcher Challenge's involvement with a company said to be linked to the right-wing Phoenix Foundation.

Fletcher Consulting Services acted as consultants to the United Marketing Corporation (headed by American Paul Sandblom) in its bid for the commission's Caribbean pine stands.

That bid was aimed at grass-roots support from native Fijian landowners and villagers, and drove a wedge of disaffection between them and the Pine Commission and Fijian Government.

The resultant industrial unrest and allegations of political interference with the Pine Commission helped to wreck New Zealand Forest Products' chances of participating in the harvest of Fijian pine.

About \$6 million in New Zealand foreign aid went into the Fiji pine project on the assumption that a New Zealand-owned company would participate in the harvest.

The ructions caused by United Marketing's bid led to British-owned BP South-west Pacific getting the nod from the Fiji Pine Commission. Informed sources tip Fletcher Challenge as the most likely partner for BP in the Fiji pine venture.

The Pine Commission became aware of Fletcher Challenge's involvement when it received proposals on Fletcher letterheaded paper. The proposals were rejected by the commission.

Commission management has been trying to establish the extent of the links between Fletcher Consulting and United Marketing and/or the Phoenix Foundation.

NBR tried to contact Fletcher Consulting staff involved in the United Marketing bid. Jim Carle was unavailable, because he had left New Zealand to take over Fletcher Consulting's office in Vanuatu.

David New, now with Fletcher in Thames, acknowledged that questions were being asked about his company's involvement. But he said he could not comment on the United Marketing proposal.

Both Fletcher Challenge and BP South-west Pacific have men talking with the Fiji Pine Commission at present.

BP and Fletcher Challenge maintain no joint Fletcher Challenge-BP deal has been discussed.

But the United Marketing bid cut both NZFF and the Rotorua-based M. K. Hume Foundation out of the Fiji pine deal.

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CFM and PPCS could reach agreement

From Page 1

Christchurch sources claim that talks between the two sets of directors on Friday, May 22, resulted in broad agreement on most questions — apart from the aspect of voting limitations.

"The CFM directors suddenly dug their heels in over the voting limitation when they had already come halfway to the party," one source close to the talks said.

"If you looked CFM's Derek Morison and Ian Jenkinson from PPCS in a room they would be out in half an hour with an agreement," he claimed.

A source close to PPCS claimed it would take only 20 minutes.

The talks on that Friday were aimed at averting the PPCS move to seek court action to

prevent the CFM directors from issuing shares.

CFM sources claimed the meeting had reached "three parts agreement" and that CFM could have "lived" with most of the proposals, except it required a firm undertaking that PPCS would not block vote. The CFM had jibbed at this "in fairness to the ordinary shareholders".

The CFM directors had asked

the PPCS to agree to a limit of three directors out of 10, which would avert the possibility of a director being dumped.

But the PPCS countered in a letter to CFM shareholders mailed at the weekend that this could allow the 10 per cent shareholder, Fletcher Challenge, to effectively control the other seven seats.

The CFM attitude is that the

board should be structured on the "proportional representation" basis, with board seats corresponding to shares held.

NBR understands the PPCS attitude is not significantly different from this stand. The PPCS apparently suggested to CFM that, as far as it was concerned, it didn't want any PPCS directors on the board, but "that all the directors should be voted for by all the shareholders".

But this attitude has left CFM suspicious and unconvinced that the PPCS won't try to block-vote its way into control of the board.

However, NBR believes that the PPCS — which has said that all directors should represent all shareholders — would accept a proportional type of representation.

In other words it might ac-

cept 38 per cent of the board strength as a reflection of its 38 per cent shareholding.

The CFM board has eight directors with one PPCS nominee.

The CFM directors are determined that no one be deposited from the board, which is why a suggestion from PPCS that the board be reduced to five directors was turned down.

Four out of 10 would still mean one existing director would have to be dropped, while a formula of four PPCS directors out of 11 directors would enable both McKelvie and Satterthwaite to remain on the board.

But while the Friday talks broke down, NBR understands two CFM directors were attempting to restart negotiations between the two groups last week.

Timber shortage sparks off takeover battle

From Page 1

and 15 per cent. These family interests held about 30 per cent of the company before Fisher and Paykel's foray and some of the family interests were sold to Fisher and Paykel.

This left some 13 per cent of the shares available, which Carter Holt moved to purchase.

Feltex was thus locked into a company with a minority interest and a hostile majority, encouraging its decision to sell to Carter Holt.

Ironically, Carter Holt was regarded in the Auckland sharemarket as friendly to both H and P and Fisher and Paykel when it was acting as an unidentified buyer.

H and P joint managing director Tony Coyte seemed pleased the Feltex bid for control had been thwarted.

"There is a place in New Zealand for medium-sized companies such as ourselves that should be allowed to develop in an innovative fashion as we have — not as part of a conglomerate," he said.

Among the reasons for the wariness, according to market sources, was Feltex's track record in dealing with Smith and Brown Maple minority

shareholders when it took control of that company.

H and P, having captured 15 per cent of the Australian construction plywood market, and exporting 60 per cent of its total plywood output, has shown no need for a big brother in its marketing activities.

With its prime pine stands, H and P has been seen as a takeover plum for some years. Ron Brierley and another unknown buyer entered the market for H and P shares more than a year ago.

Feltex bought the Brierley shareholding and wound up with about 23 per cent of H and P shares.

Feltex acquired Personality Furniture Ltd and Airest Industries, making it New Zealand's biggest furniture manufacturer.

Airest has boosted its exports of kitset furniture from \$400,000 to \$1.6 million a year over the last year.

But Airest is having trouble obtaining timber supplies.

Meanwhile H and P negotiated a deal with Fisher and Paykel which gave H and P a 70 per cent stake in a Fisher and Paykel subsidiary, Beatwood, and gave Fisher and

Paykel a 20 per cent stake in H and P.

Feltex was not pleased. The H and P-Fisher and Paykel deal watered down H and P's capital and reduced Feltex's shareholding from 24 per cent to 19 per cent.

Feltex was out-manoeuvred.

But, the rapid escalation in H and P share prices and the resultant \$2.8 million capital gain will have provided some solace for a beating when Feltex sold out its shareholding to Carter Holt.

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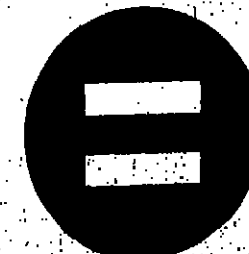
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IRD's Fagins put new twist on artful dodge

by Klaus Sorensen

THE threat of changes to the law on tax-free dividends ought to have sent the sharemarket into a tailspin last week.

But indicative of the market's current resilience, prices continued to surge ahead and investors seemed to give the matter little thought. This week the market is likely to see more serious consideration given to the looming prospect of Inland Revenue Department intervention in what has suddenly become a fashionable dodge.

Rising tax rates — even for superannuants — in recent years has placed a new emphasis on the worth of tax-free payments to shareholders.

And as companies have realised the advantages to them of helping shareholders to earn the taxman, new ways have been found of creating tax-free reserves.

But now it seems a couple of companies have pushed their luck too far.

The question of tax-free payments is a political hot potato at the best of times and the subject is, naturally enough, pursued most fervently by those who don't receive tax-free benefits.

So companies like Progressive Enterprises, Farmers Trading Co and R and W Hellaby ran a high risk when they decided to set various tax-free reserve creation schemes in motion in this election year.

The latter two companies have both created new subsidiaries with the intention of selling properties to them and thus releasing the capital profits to the parent company.

But Progressive has taken the whole thing a step further by selling its subsidiary companies to a new wholly-owned company.

Progressive may be living up to its name, but at a time when the Government is having difficulty convincing unions of the merits of a wage-tax cut tradeoff, its move seems foolishly insensitive.

The Society of Accountants sent up a distress flare last week in what appeared to be an attempt to warn other companies to shelve any plans they may have had to create capital profits.

The society's national taxation committee wrote to the IRD to establish whether the commissioner was about to change the department's attitude to tax-free distributions.

The department told the society it was reviewing the whole matter "because of the nature of some recent transactions" and had meantime decided to withhold further approvals until the legal position could be clarified.

The society said in a statement that the commissioner's advice about no guarantees of approving tax-free dividends arising from these cases would be of considerable importance to any company "currently considering transactions of this nature".

"Indeed the commissioner's letter to the society makes it clear that some companies which have completed sales of assets or shares or announced their intention to make tax-free distributions of profits arising from such transactions may be affected," accountant's president Bob Pope warned.

The society is worried that the department will change its approach, after having approved tax-free distributions in the past.

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The society is worried that the department will change its approach, after having approved tax-free distributions in the past.

The decision by the commissioner to withhold consent pending the review irked the society and Pope said "the potential inequity of such a situation is obvious and is of considerable concern to the society's members".

But then the whole question of tax-free dividends is iniquitous.

Apart from the view that tax-free dividends help the rich get richer, the real anomaly from the companies' point of view is that the ability to pay tax-free dividends depends on the type of business they're in.

Companies with big property portfolios like insurers and stock and station agents have little trouble rustling up regular capital profits to service shareholder's dividend needs.

While the likes of New Zealand South British and Fletcher Challenge have no problems paying tax-free dividends, service companies like Command Services Corporation have little in the way of assets, and therefore a limited ability to achieve capital profits.

From that point of view, a change in the official attitude towards tax-free dividends is probably needed.

The tendency has been to look at tax-free dividends as nothing more than a tax dodge, when in fact they should be regarded as an encouragement towards greater productive investment.

Essentially the most common method of realising a capital profit (and the most satisfactory from the IRD's point of view) is to sell a property to an outside company.

That way a company can say it sold at the true market price.

The next method is that proposed by FTC and Hellaby, where properties are transferred to newly created subsidiaries. Naturally enough the values arrived at for these "sales" are less reliable than a market sale, and the IRD will request valuations from registered valuers.

The third, and most blatant, is the Progressive method where non-property assets are sold to a new company. Arriving at a true valuation on the sale of a business is much more difficult, and the IRD is obviously taking an extra close look at this technique.

Though Progressive has a string of retail outlets, NBR understands it does not own them, instead leasing them from a company called Tradexpan, owned by one of the founders of the group, Tom Ah Chee.

Progressive is involved in some property developments, but most of them are joint ventures, so it has to resort to realisations of non property assets to create tax-free reserves.

This latest controversy deserves the close consideration of all investors who rely on the tax free portion of dividends payments, and it may be that if the ground rules are changed as a result of the IRD review, these investors will have to go back to the more staid companies with large property assets — rather than growth orientated investments.

But the tax-free dividend question was just one of a number of things for investors to think about last week.

The Henderson, Pollard, Feltex/Risher and Paykel wrangle proved quite a spectacular sport, and there were further profit announcements for the March 31 year.

Like the Canterbury Frozen Meat Co's reaction to the Primary Producers Co-operative Society's sharebuying, there seems to be a reluctance at the Henderson and Pollard board table to accept the fact that stock exchange listing enables anyone to buy shares.

Henderson and Pollard directors spent a lot of 1980 worrying about a build-up of nominee holdings in the company's share register and they were relieved when Feltex came along (as a "friendly" interest) and bought out the nominees.

But when Feltex announced it wanted to buy more shares in Henderson and Pollard, the H and P directors suddenly decided they preferred the status quo, and almost seemed to be saying they wanted to be able to choose who bought shares and who didn't.

Since Feltex turned out to be only a fair-weather friend, the H and P directors were happy when Fisher and Paykel (apparently a true friend) entered the market and effectively pulled the rug out from under the Feltex plan to buy 55 per cent of the timber company.

But Feltex was guilty of no more than making a normal business decision. It wanted a greater shareholding in Henderson for commercial reasons — and that's why Feltex bought in, in the first place.

In the case of Canterbury Frozen Meat, the PPCS wants to exercise its power as a shareholder for commercial reasons.

While this may not be in the interests of the majority of shareholders, the PPCS is entitled to buy shares and use its voting strength to topple the entire CFM board if it feels like it.

Stock Exchange listing is great for raising money and for allowing families to sell out of their companies, but at the same time it is a fact of life that effective control of a listed public company is available to anyone with the money to buy enough shares.

The week's headline-catching stock exchange activity has put the half a dozen or so company announcements well into the shade.

The results posted by Ballina, Healing, Canterbury Timber, Henry Berry, Revertex and Progressive didn't excite the market, but closer investigation of the results suggests they may be better than some pundits have given them credit for.

One of the most surprising aspects of these results is that all of them were achieved on higher tax provisions.

The 1980 crop of March 31 results was largely subsidised by big drops in tax provisions. But the latest lot are paying more tax — including Canterbury Timber, which exports nearly a third of its total output.

Both Progressive and Healing declared bonus issues, but the highest percentage income growth came from the Canterbury Timber dividend increase from 18 per cent to 22.5 per cent — a 25 per cent rise.

Ballina dividend rose 14.3 per cent, Henry Berry was up 8.7 per cent, Progressive was up 11.5 per cent, Revertex rose 16.75 per cent and Healing lifted its dividend payment 10 per cent.

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Finance

The business week

Alloy Steel Ltd: net profit for the year ended March 31 was \$69,705 (last year \$16,225). A final dividend of 10 cents will be paid on July 15.

Ampol Petroleum Ltd: unaudited net profit for six months to March 31 was \$A16,053,000 (last year \$A13,997,000). An interim dividend of 3.75 cents will be paid on July 6.

Australian Consolidated Industries Ltd: net profit for the year ended March 31 was \$A62,840,000 (last year \$A40,675,000). A final dividend of 7 1/2 cents will be paid on August 31.

Ballina Industries Ltd: unaudited net profit for the year ended March 31 was \$3,126,000 (last year \$1,974,000). A final dividend in the form of a tax free distribution of 5 cents will be made on August 4.

Henry Berry Ltd: net profit for the year ended March 31 was \$1,112,645 (last year \$1,002,330). A final dividend of 6.75 cents will be paid on August 17.

Bunting & Co Ltd: net profit for the 13 months ended March 31 was \$347,763 (last year \$44,832). A final dividend of 4 cents will be paid on July 13.

Canterbury Timber Products Ltd: net profit for the year ended March 31 was \$2,607,000 (last year \$2,308,000). A final dividend of 12 1/2 cents will be paid on July 27.

Capital City Radio Ltd: net profit for the year ended March 31 was \$201,200 (last year \$231,700 17 months). A final dividend of 5.75 cents will be paid on July 15.

Consolidated Metal Industries Ltd: net profit for the year ended March 31 was \$1,616,000 (last year \$1,592,906). A final dividend of 10 1/2 cents will be paid on July 29.

F & P Finance Ltd: net profit for the 15 months ended March 31 was \$813,670 (last year \$443,436). A final dividend of 12 per cent will be paid.

Firestone NZ Ltd: unaudited net profit for six months to April 30 was \$1,825,318 (last year \$1,599,062). An interim dividend of 7 cents will be paid on August 21.

Fisher and Paykel and Carter Holt out-maneuvred Feltex for Henderson and Pollard Ltd.

Healing Industries Ltd: net profit for the year ended March 31 was \$3,482,000 (last year \$3,111,917). A final dividend of 6.25 cents will be paid on August 26 and one for five bonus issue made.

Lustrold Holdings Ltd: net profit for the year ended March 31 was \$718,000 (last year \$532,000). A final dividend of 5 cents will be paid on July 29 and 1-for-5 bonus issue made subject to the approval of the Overseas Investment Commission.

Morrison PIM (Holdings) Ltd: net profit for the year ended March 31 was \$462,000 (last year \$339,000). A final dividend of 9.5 cents will be paid on August 26 and a 1-for-10 bonus issue will be made.

National Bank of Australasia's takeover bid was accepted by the Commercial Bank of Sydney. The National offered \$1.75 cash plus two shares for each CBC ordinary share and convertible note.

NZ Industrial Gases Ltd: unaudited net profit for six months to March 31 was \$1,486,000 (last year \$1,257,000). An interim dividend of 9 cents will be paid on June 30 and a 2-for-11 bonus issue made.

Odlins Ltd: net profit for the year ended March 31 was \$5,548,348 (last year \$4,024,034). A final dividend of 4.5 cents will be paid on August 26.

Progressive Enterprises Ltd: net profit for the year ended March 29 was \$3,493,000

(last year \$3,204,000). A final dividend of 6.5 per cent will be paid on August 14 and a 1-for-5 bonus issue made.

Quill Morris Ltd: net profit for the year ended March 31 was \$332,042 (last year \$298,856). A final dividend of 5 cents will be paid on August 6.

Regina Confections Ltd: net profit for the year ended March 31 was \$108,465 (last year \$72,143). A final dividend of 7 1/2 cents will be paid on August 31.

Reverex Industries (NZ) Ltd: unaudited net profit for the year ended March 31 was \$936,000 (last year \$735,000). A final dividend of 10 cents will be paid on July 31.

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Economic indicators

A THREE per cent drop in imports and an 11 per cent rise in exports during the March quarter swung the current ac-

count \$15 into the black. In the previous March quarter there was a \$150 million deficit which culminated in a \$20 million deficit in the December quarter. Invisibles showed strong growth in the last quarter, up 28 per cent to \$39 million while payments rose 15 per cent to \$482 million.

PRELIMINARY figures for April show the crude trade surplus growing, from \$81 million a year earlier to \$100 million.

GROCERS (+23.7 per cent) hardware merchants (+14.1 per cent) and household appliances stores (+17.9 per cent) stocked up in the year ended March 31, while furniture retailers cut stocks by 11.2 per cent. Overall, retail stocks grew 9.1 per cent by value in the last year and 3.2 per cent since the end of the December quarter.

NATURAL population growth slowed slightly in the year to March 31. There was 24,592 births in excess of deaths compared to 26,371 a year earlier and 26,681 in

June 1, 1981

Stock Exchange weekly review

National Business Review

FOR WEEK FRIDAY MAY 22 TO THURSDAY MAY 28



	Last sale	Week's high	Week's low	Turnover
ALLOY STEEL	125	125	125	0
AMPOL	125	125	125	0
ANZ	125	125	125	0
ASX	125	125	125	0
AT&T	125	125	125	0
BAIRD	125	125	125	0
BANK OF AUSTRALASIA	125	125	125	0
BANK OF NEW ZEALAND	125	125	125	0
BANK OF SYDNEY	125	125	125	0
BANK OF MONTREAL	125	125	125	0
BANK OF CANADA	125	125	125	0
BANK OF AMERICA	125	125	125	0
BANK OF CHINA	125	125	125	0
BANK OF JAPAN	125	125	125	0
BANK OF INDIA	125	125	125	0
BANK OF AUSTRALIA	125	125	125	0
BANK OF NEW ZEALAND	125	125	125	0
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Algeria, Syria meat deals under negotiation

by Warren Berryman

NEGOTIATIONS were well under way last week to add Algeria and Syria to the growing list of Middle Eastern buyers of New Zealand lamb.

An initial 2500 tonnes of lamb, worth about \$6.5 million, will be sold to Algeria and 1000 tonnes, worth about \$2.4 million, to Syria if the talks are successful.

The markets would further diversify our meat customers and reduce our dependence on supplying war-torn Iran and Iraq.

Halal-killed meat now earmarked for Iran would go to the new markets.

Algeria and Syria import meat through state buying agencies.

Following a joint Meat Board and Meat Exporters Council mission to the Middle East ear-

ly this year, both countries were designated single-supplier markets by the Meat Exporters Council.

This means that, as in Iran, all meat exports must go through a central selling agency which obtains its supplies from all meat exporters. Independent companies are not allowed to market and export on their own right.

Meat sales to Algeria and Syria will go through the Meat Marketing Corporation, a company owned by members of the Meat Exporters Council.

Borthwick, which manages the Iran meat exports, has been designated manager of Algerian meat exports.

Mathias Meats NZ Ltd has been appointed manager of Syrian meat exports.

A joint Meat Board — Meat Exporters Council export mission visited Algeria, Egypt,

Morocco, Tunisia, Syria, Jordan and Nigeria last February and March.

Members of this mission were Eric Cammell, AFCCO's export manager, deputy chairman of the Meat Exporters Council, and chairman of the Meat Marketing Corporation; Rex Kilgour, an independent meat exporter and member of the Meat Exporters Council; Graham Harrison, a Meat Board executive; and Norman McRae, deputy chairman of the Meat Board.

On the export mission's return it was decided to designate Algeria and Syria single-seller markets.

Defenders of the single seller's principle argue that in dealing with a foreign government buying agency, a quasi-governmental body has more clout than a private company and may not be obliged to pay

the bid and performance bonds required of a private company.

They also agree a centralised selling agency can spread its shipments of meat out over a period, rather than ship it all in one lot.

But opponents fear the system might lead to the Meat Board taking over all meat exports. The Meat Marketing Corporation was set up so single-seller markets could be handled under the private enterprise banner rather than through the Meat Board.

Still, opponents of the single-seller system argue that it kills private company initiative to establish new export markets.

Few, if any, private companies would wish to go out on their own to establish new markets if the fruits of their efforts must be shared with their competitors in a single seller market.

This disincentive to private companies to develop new markets could, by default, hand the whole business of meat exporting over to the Meat Board — a prospect dreaded by some meat companies.

According to one meat company executive, "with these single seller deals it's just not worth it for an independent company trying to export on its own".

"I think the Meat Board would like to control all meat exports. They would be going into an area that is not their business. The Board is made up of a bunch of farmers — marketers," he said.

Another meat company executive seconded these views, and added, "our industry is basically a private enterprise industry. But the first year of the Meat Board's life we put the Iran deal together."

Trade talk with Canada

by Colin James

NEGOTIATORS were in Ottawa last week seeking to put together a new "economic co-operation" agreement with Canada.

The agreement is intended to replace an outworn and largely irrelevant trade agreement between the two countries signed in the depths of the depression in 1932. Under this arrangement trade has been sluggish.

Last week's talks, headed on New Zealand's side by Harry Holden of the Trade and Industry Department, followed 18 months of negotiations between the two countries.

They underscore an increasing interest by Canada in the countries of the western Pacific.

In New Zealand's case, this interest is showing itself in a desire to get involved in joint ventures (Alberta Gas Chemicals Co is already a major partner in the planned stand-alone methanol plant) and in promoting high-technology Canadian products.

Both countries face problems of access to the other's markets through quota controls and, as one close observer put it last week, the hope is that the new

agreement will set out a broadly defined framework in which private sector traders will have greater scope.

Details of what each country has been seeking was not readily available but, though one official described the potential developments as "significant".

They will fall a long way short, however, of one option canvassed by Canadian officials — a free trade area involving Australia.

That option was not seriously considered by New Zealand officials who are in a time — and still are — faced with problems enough with access to a free trade area with Australia, let alone wider the problem.

US exports

THE United States increased its share of the world market for manufactured goods in the third quarter of 1980.

During the third quarter, United States held an 18.5 per cent share, slightly better than the 18.4 per cent in the second quarter, and ahead of the 18 per cent in the first quarter.

'Do you know
COWANS have
Fine Art Papers'

'No.
But if you hum
the first few bars,
I'll follow.'



STROLLING MUSICIANS

June 1, 1981

National Business Review

'Watchdog' wants to put some bite into its bark

From Page 1
mission "to keep under review practices relating to securities and to comment thereon to any appropriate body..."

The commission "wants to find out whether 'any appropriate body' means the general public, and if it doesn't, whether it can be modified to allow the commission to 'go public'."

Sources close to the commission say Patterson wants to establish whether he is required to make public comments. If he is, then he wants a clarification of his powers.

No new powers are asked for; instead a better definition of existing rights is being sought by the commission.

But moves to increase the commission's powers may be opposed by the more conservative business establishment — which could make the amendments politically sensitive.

The commission is understood to believe it has a role to play as a "watchdog", and therefore needs statutory authority to back up its statements.

The legislative hitch may be delaying publication of the commission's second draft of its proposed Securities legisla-

Regan on interest rates

AMERICAN interest rates will remain high and may even climb higher, Treasury Secretary Donald Regan predicts.

Regan said the prime rate — the interest rate banks generally charge their best corporate customers — may climb above the current 19 per cent level and remain in that range "for several months" before coming down.

He gave strong support for the Federal Reserve's decision to raise its discount rate — the interest it charges banks to borrow from the United States Central Bank — from 13 to 14 per cent, with increased penalty rates for large, frequent borrowers.

Regan said it was necessary for the Federal Reserve to "hit the brakes" because the economy was stronger in the first quarter than the administration had expected. He said the Federal Reserve finally seemed to be succeeding in controlling the money supply.

Regan predicted that the gross national product would probably grow at a slower pace during the second and third quarters than during the first three months of the year, when it rose at a 6.5 per cent annual rate.

Broadbank



tion. The second draft — which resulted from more than 70 submissions — has been completed, but is being held up by the difficulties confronting the commission.

NBR understands the commission's annual report to Parliament refers to the request for legislative changes.

The report is likely to be one of the first tabled in the House's current sitting.

In a written report to a number of questions from NBR, McLay said last week: "A number of proposals put forward by the Securities Commission to amend the Securities Act are being evaluated and will shortly go before Cabinet

to decide which, if any, will be included in this year's legislative programme.

"In view of the fact that the commission is an adviser to me and to the Government on these matters it would be inappropriate for me to discuss the detailed proposals publicly before they have been considered by Cabinet.

"However I can say that some of the proposed amendments would involve a fairly significant change in the approach adopted by the Act, and would widen the powers given to the commission.

"It is open to question whether such steps would be appropriate before the Act has

had a chance to operate," McLay said.

But the commission's problems do not end here.

NBR understands the commission has also been frustrated by delays with legislative drafting in the Crown Law Office.

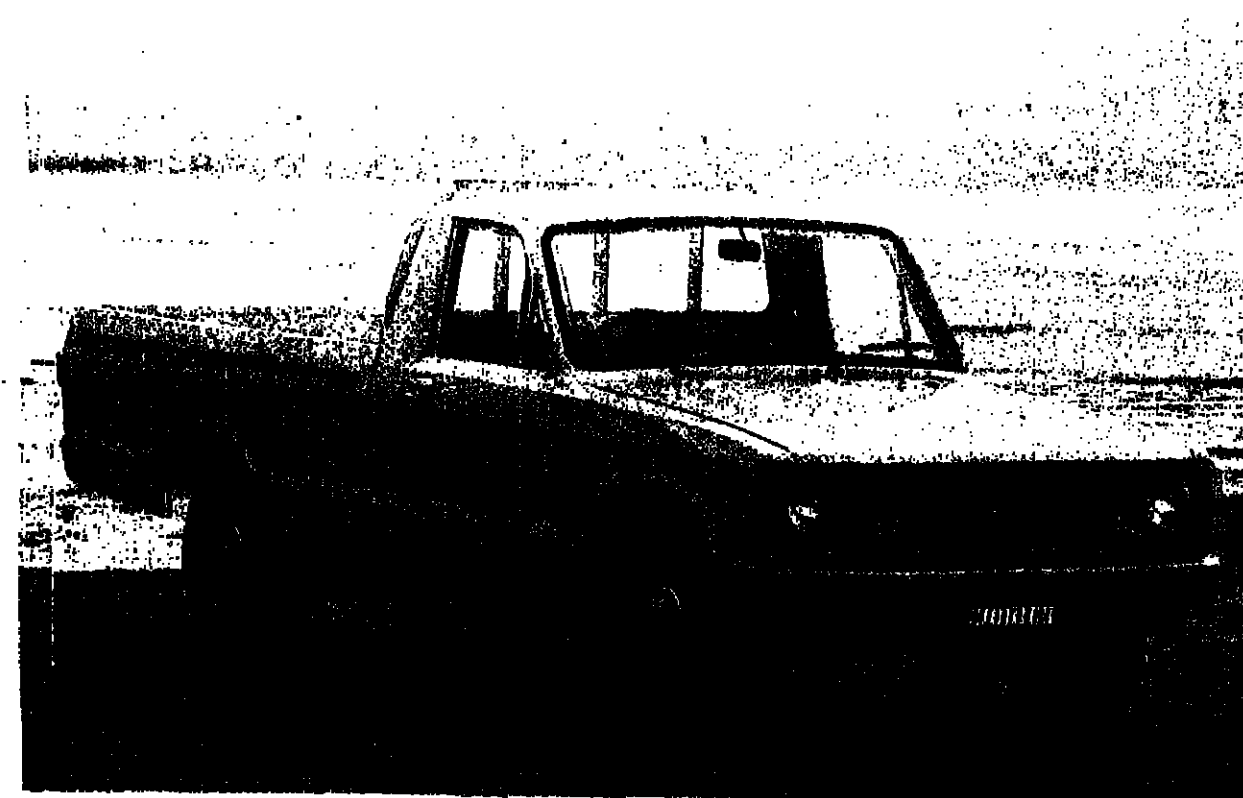
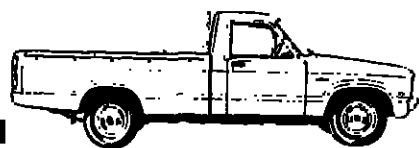
A backlog of planned legislation is rumoured to have left the Securities Commission wondering if its recommendations will ever make it into the statute book.

Patterson told NBR he could not comment on the possibility of amendments to the Act, but he was quick to deny one rumour currently circulating — that he is thinking of returning to private practice.



Jim McLay... coy about details

new FORD COURIER



The toughest, thriftiest one tonne under the sun!

Whether as a pick-up or a chassis cab, Ford's new Courier delivers the total package. Purchase and operational economy (expected up to 7.4 l/100km or 38mpg). Spacious, practical design to support the largest loads on the roughest roads. And an astonishing degree of driving comfort.

Courier's light, responsive steering is distinctly car-like — no matter how heavy the load — and belies an inner strength which may be summoned effortlessly from its smooth 1.8 litre OHC cross-flow aluminium head engine.

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Torsion Guard Chassis — five tubular steel and two stamped steel crossmembers designed to resist torsion and absorb stress under the most tortuous road conditions.

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البريد 106

Analysing annual accounts: NZ Refining

by Klaus Sorensen

BEFORE they vote their directors a 48 per cent pay increase at Wednesday's annual meeting, New Zealand Refining Co Ltd shareholders may care to ask a couple of questions about the company's prospects of future profitability.

It is well known that the Whangarei oil refinery operator is planning a massive \$500 million plant expansion, due for completion in 1984.

It is also well known that the company has arranged a \$500 million Eurodollar loan to finance the project.

But what shareholders will find difficult to ascertain from the latest annual report is what impact the interest charges on these borrowings will have on the company's net profits — and their dividends.

One of the first things to confront shareholders in the report for the December 31 1980 financial year, is item four on the AGM agenda.

This is a proposal to increase director's fees from \$54,000 to \$80,000. A headcount of directors reveals no extra directors this year, and there is no reference to the fees increase in the chairman's report.

So shareholders may feel a little horse-trading will be in order on Wednesday — more information on the impact of interest charges on profits — in return for the increase in directors' fees.

The rise in the directors' fees could well be totally justifiable, particularly in view of the considerable decision-making the 11 shareholders' representatives

have had to make in the past year. But unless reasons are given, shareholders are apt to be a little sceptical.

And this is where the report falls down. The level of disclosure is below average, particularly for a company embarking on one of the largest industrial projects in New Zealand's history.

The directors drew on \$20 million of the \$500 million offshore finance facility during 1980, but in the current year they plan to draw on a further \$90 million.

Simple arithmetic suggests the interest bill — at the going rates for Eurodollar loans — could rise to around \$13 million in 1981.

And that could wipe the company's net profit.

But then the New Zealand Refining directors are top oil industry men and would be hardly likely to borrow to the extent where profits — and dividends — were to be extinguished.

Shareholders could do with a reassurance along these lines, or else, the cold hard facts on how the company will weather the costs of this massive project.

As shareholders are only too well aware, the company's sole income is derived from the Government-controlled processing fee. This has limited earnings for years, and the directors quite rightly make the point in the latest annual report that further increases in the processing fee will be needed.

They say "it is expected that increases will be required in the level of processing fees to cover

the higher operating costs and the substantial interest and allied charges for the expansion loan facility".

But this statement poses more questions than it answers.

Will approaches be made for increases in processing fees before the jump in interest costs savage operating profits?

Will the company try to have the fees linked to estimated interest costs for the duration of the expansion — a type of user pays system?

Or will the company have to wait until it has gone into the red before it can apply for a higher processing fee to boost its income?

Perhaps the company has already arranged for the rising interest charges to be covered somehow — but a few details would be comforting to both existing and prospective shareholders.

The company's dependence on processing fees is highlighted by the 1980 results. The figures were improved by a renegotiation of the processing fee which was made retrospective to January 1 1979. This meant the accounts for the December 31 1980 year include an adjustment of \$765,000 relating to 1979.

The net after-tax profit for 1979 was \$2,427,000 while in 1980 the processing fee increase helped lift the figure to \$5,726,000.

But this latter figure includes the retrospective 1979 increase, and the report shows that on a comparable basis the 1979 profit including the fee rise should have been \$3,192,000, while the 1980 figure (less the 1979 adjustment of \$765,000)

should have been \$4,961,000 — a 55 per cent increase.

The profit and loss account shows processing fee income increased 70 per cent from \$23.9 million to \$40.6 million while interest received from money on deposit fell from \$2,039,000 to \$847,000 leaving total income of \$41.5 million.

The latter provision for money on deposit relates, according to the notes, to the investment on short-term deposit of unexpended expansion loan money.

Though processing fee income leapt, operating costs were not far behind, notching a 51 per cent increase from \$16.6 million to \$25.1 million.

Here again, the company's disclosure is poor. The operating costs are not broken down in the notes to the accounts, as is common with many other companies, and instead the only reference is a general one in the directors' report.

The directors say 1980 saw another year of substantial increases in operating costs, but they detail only a small proportion of the increase — a



The planned expansion... what are the real costs?

of \$1 million cost of the biennial overhaul.

But the accounts show the 1980 overhaul cost as additional to the \$25.1 million operating costs. Total expenses of \$31.1 million also include the 1982 overhaul provision of \$1.2 million, depreciation of \$2.4 million, a loss on the disposal of assets of \$521,000, directors' and audit fees, and an increase in "interest paid on long-term liabilities" from \$83,000 to \$866,000.

The rise in interest on long-term interest costs presumably relates to the initial \$20 million draw-down on the \$500 million loan, though the fact that the interest charge shown in the accounts does not correspond with a likely annual interest charge on a \$20 million loan suggests the interest charges were probably only incurred in the latter part of the year.

However in 1981 the full interest charge on the \$20 million will apply, and, in addition, interest costs on the planned \$90 million draw-down for the current year will further boost interest charges.

The interest rates payable on the offshore borrowings "fluctuate in accordance with interest rates quoted on the London Interbank Market" and December 31 1980 the weighted average interest rate being paid on all term liabilities was 15.7 per cent.

The notes show the large Eurodollar expansion loan as unsecured and repayable over a period of seven years from the date the expanded loan comes on stream — currently planned for April 1 1984.

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Boom year for car sales best since '74

Motoring writer

A BOOM year for new car sales is indicated by the latest Post Office motor vehicle registration figures. Up to 95,000 new cars are likely to be sold to an eager market.

Registrations to the end of April total 27,917, up 23 per cent on the corresponding period in 1980.

Projecting this level of sales to the end of the year gives the motor assembly industry its best year since 1974, when 99,000 cars were sold.

New-car sales at that level will go a long way to modernising the country's fleet.

The level of retention of cars by frugal New Zealanders means that the average age of vehicles is 10 years.

Modern design and technical achievements in new models

mean they conserve resources more efficiently than their counterparts of 1970.

But the Government may want to discourage new sales from continuing unchecked and step in to stop the industry from supplying the demand.

In April, Japanese makers

achieved a record 73 per cent of the total new market. In March, they obtained 68 per cent.

In the year to date, the Japanese market share is 67 per cent and increasing.

Small-engined cars are the most in demand, accounting for 41 per cent of all sales. They are followed by cars in the 1601 cc to two-litre class (35 per cent).

Cars with 1500cc engines take another 15 per cent, leaving a meagre 9 per cent for six and eight-cylinder cars.

In April, large car sales were only 400 units (5 per cent) of the 7802 new registrations.

This drop was taken up at the lower end of the market, with record sales of cars in the 1300cc class.

Todd Motors Limited is occupying the number one slot after the first four months and

Todds' Mitsubishi... sailing wall

will be the one to topple. It displaced the Ford Motor Company last year, ending a long run by Ford at the top.

Ford's new Laser model may be the weapon to regain top listing. In the first full month of sales, 585 Lasers were registered — almost enough to make it a top-seller.

Todds captured 21 per cent of registrations, Ford 17 per cent, New Zealand Motor Corporation 15.5 per cent, Toyota 14 per cent, GM 11.5 per cent, Datsun 7.4 per cent and Mazda 6.3 per cent.

Japan's car exports worry Europe and Canada

CANADIANS are seeking a Japanese agreement to limit car exports, similar to one obtained by the United States. But West Germany says it will oppose any move by the European Economic Community to place further limits on Japanese car sales in those countries.

Canadian officials are reported to be concerned that Japanese car exports diverted from the United States could end up in Canada, which last year imported about 158,000 vehicles from Japan.

The United States has obtained an agreement from the Japanese, cutting back their 1981 auto shipments to the

United States from last year's 1.82 million to 1.68 million.

In Bonn, a West German Economics Ministry spokesman was quoted as saying Japan must not use Germany as an alternative market for cars it would otherwise have sold in the United States.

"Such an attempt would increase pressure on the German Government to adopt protec-

tionist measures," the spokesman said.

But he said he believed Japan understood the possible repercussions of an unrestricted export drive in Europe, and Bonn would continue in its opposition to any EEC moves to limit Japanese car imports.

The Bonn spokesman noted that Japanese car exports to France, Italy and Britain were already restricted. He said this

left Germany and the Benelux countries as the only European Economic Community markets still totally open to Japanese auto exports.

Germany is viewed as the most important outlet in Europe for Japanese car manufacturers. Japanese car sales there last year rose 70 per cent to 252,000, representing 10.4 per cent of the German car market.

US car giants record losses

THREE of the four United States auto manufacturing companies reported losses in the first quarter of 1981. Only the largest firm — General Motors — reported a profit.

Chrysler, which has had to turn to Government loan guarantees to keep in business, had a loss of \$298 million in the three-month period. This is higher than the \$267 million loss it forecast in January in a report to the Government's Chrysler Loan Guarantee Board, but is substantially below the \$439 million it lost in the corresponding period last year.

Chrysler said that even with the loss, it did not plan to ask the Government for any more loan guarantees, and expects to turn a profit by the fourth quarter of this year.

Ford reported a loss of \$439 million during the first quarter, compared with a loss of 164 million in the first quarter of 1980.

Chrysler reported an increase in domestic unit sales of 11.9 per cent over the corresponding period last year, while Ford experienced a decline in unit sales of 12.6 per cent.

General Motors had first quarter profits of \$190 million, compared with earnings of \$195 million the year before. But domestic unit sales were down 17 per cent.

American Motors earlier reported first-quarter losses of \$2.7 million dollars.

Broadbank

For International Finance

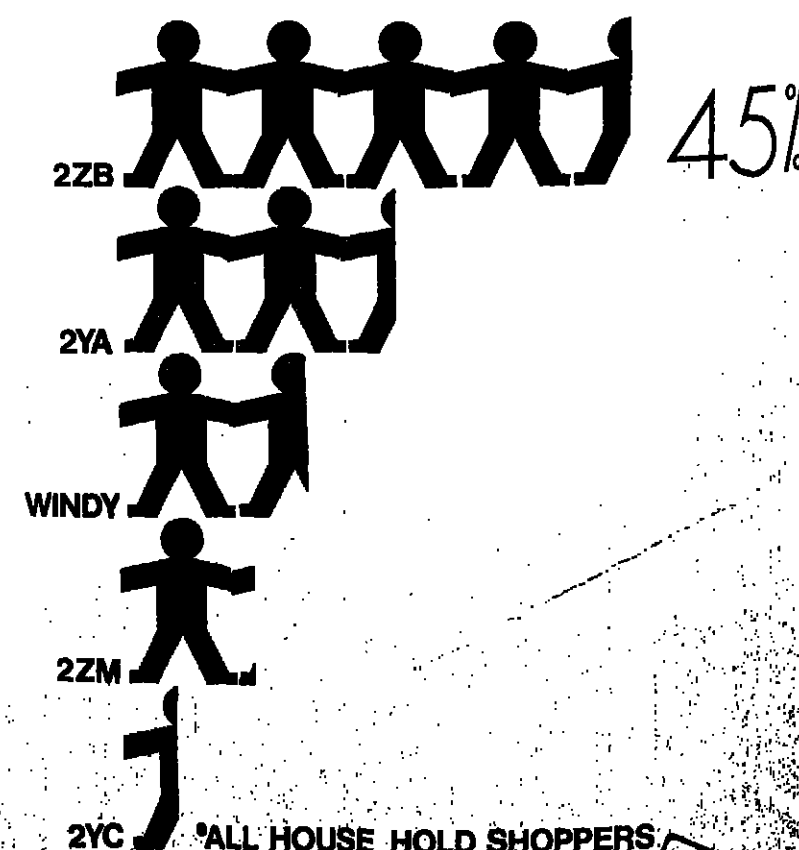
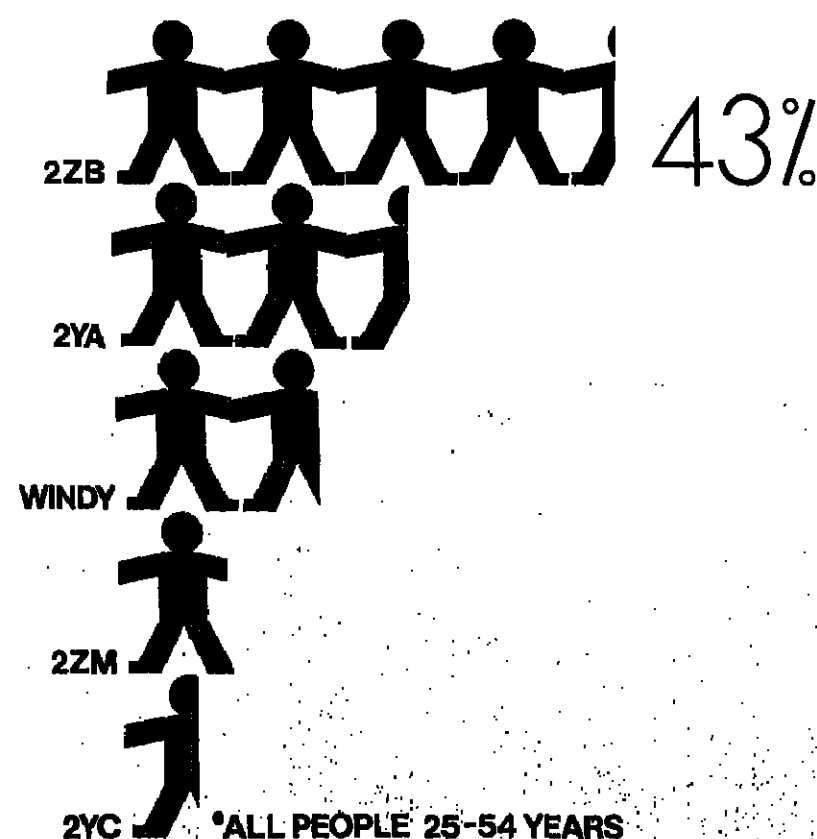


(Clipper® Class available June 18 on all 747 flights from New Zealand.)

Say hello to Pan Am.

MACH 68B

YOU'RE AN ASTUTE
WELL ORGANISED BUSINESSMAN...
...LOOK AT THIS



*Source: BCNZ Survey Feb-April 1981

If you want to make capital, you can't do without WELLINGTON

Alas. Summer is behind us.
And what a season it was too.
For us, it was one successful production after another, with spectaculars galore and very few dramas.
End result.

Plenty of new business.
Proof, we believe, that if you're performing with great talent, it's a hell of a lot easier filling the seats.
But summer is over, and ahead lies a heap of new productions for both new clients and old.

Making room for new opportunities to join our happy band of performers.
A chance to step out of life's big chorus line and tap straight to the top.

And so, we are auditioning for the following new talent.

Account Manager

A truly star role for a person who means to end up with no less than their name on the letterhead.

We need someone with more than ability, marketing know-how and a prop cupboard full of three piece suits.

We want a person with definite direction, who not only understands the business, but enjoys it.

In short we're after a body with a bit of colour. And that doesn't mean they have to be Jamaican. The rewards are as stated.

The sky's the limit as long as they can stand the height.

Account Exec. Intermediate

This part is spot on for a person who's just read the 'Account Manager' requirements and thought 'Damn, just give me a couple more years and that would be mine.'

And that's exactly right.

However, making it to that position is going to be a ton of laughs and just as rewarding.

Media Magician

Another star role here.

Ideally suited to a person with a few shows behind them, a few tricks up their sleeve and can handle a bit of drama now and then without dropping an ace.

Like we said, this is not intermediate number, it's a top billing position.

Creative People

Although we're not desperate, we're keen to hear from the cream of the bunch. AD's and Writers.

And, if your talents indicate definite stunning performances to come we've always got room for another star to join the best little show in town.

Auditions start as from now.

So inbetween knocking out brilliant performances for some dead-beat 'Ham Palace', slip into the wings and give us a call. David Innes for 'Accounts' or Roy Meares for 'Creative'.

G/S/I

12 Heather St, Parnell, Auckland. Phone 775-019.

Following a successful summer season G/S/I are auditioning for fresh new talent.



Admark

Oz to the rescue in TV commercial imports row

by Grev Wiggs

BROADCASTING Minister Warren Cooper's announcement that Australian restrictions against the screening of New Zealand-made television commercials have been lifted also brought an abrupt end to a proposed code which would have outlawed most overseas commercials from New Zealand screens.

The voluntary code was formulated as a result of a Government ultimatum which threatened to bring down restrictions on the importation of commercials. Surprisingly, the Minister states that the lifting of the Australian ban "was the result of Government negotiations".

Ever since the launch of commercial television in this country, a guerrilla war has flickered and flamed along the border dividing homemade commercials from those imported from Australia, the United States and Britain.

Opposing the use of commercials written, cast, acted and produced by overseas talent has been an unlikely grouping of protectionists for the local industry.

It comprised Actors Equity, the film industry, more recently supplemented by video production houses, and various ministers of broadcasting from both Labour and National governments.

Fighting a protracted and ingenious delaying action as frontline troops for their clients has been the Association of Accredited Advertising Agencies. Initial and continuing opposition to the importation of commercials was fuelled by the hard fact that Australia, entering the commercial TV era five years before New Zealand, had placed a forthright ban on overseas originated commercials from the outset.

Quite so, argued the Four A's, but Australia had a soundly established, well equipped film industry as well as a large pool of professional actors supported by live theatre. New Zealand had neither of these advantages and, in addition, the sole film processing laboratory was operated by the Government film studios, already hard pressed to cope.

It was also true that, at this early stage, few local agencies had developed creative talent that could begin to match the imported commercial in concept or technique.

And in the van of ready advertisers were those with international products and hands full of filmed commercials requiring only local pack shots to adapt to local screening.

New Zealand film-makers and agencies alike were not slow to learn and local actors began to grow into the new medium. The proportion of

locally made commercials grew steadily even though not quickly enough to satisfy the opponents of importation.

In 1969, John Gimson, a Charles Haines director acting on behalf of the Four A's, negotiated an agreement with the Australian Broadcasting Control Board which allowed New Zealand-made commercials to be used in Australia when supporting New Zealand exports.

It was a significant breakthrough as New Zealand became the first and only exception to the Australian ban on imported commercials.

This most-favoured-nation relationship seems to have been

overlooked by all parties and even recently a former minister of broadcasting was quoted as seeking retaliation against the Australian ban.

So again in 1973, the subject was aired at a meeting convened by Labour's then Minister of Broadcasting, Roger Douglas, and again the Four A's argued for the status quo. In the event, no change.

The Four A's has compiled a series of returns from member agencies which shows the percentage of locally produced commercials growing over the years (in 1978, 84 per cent of all new commercials were made here) and the imported propor-

tion shrinking to a fraction of the whole.

Advertisers want to position their products in the New Zealand environment and endow them with familiar associations.

The strategic situation changed overnight when newspaper groups moved into the field of video production. New Zealand News acquired the pioneer video house of Vidcom in Auckland and INL reached out for the Wellington latecomer Concept Video. (This was a finger-burning exercise that later led to the operation being leased out.)

But the ultimate clout was the Government's. It advised

the parties that if a form of voluntary agreement to restrict the importation of commercials was not reached, the Government would develop regulations to control imports.

The code was brought to draft form for the assent of the Video, Film and Sound Facilities Association, the Four A's, the Advertisers Association and the Broadcasting Corporation.

It then went to the Minister of Broadcasting's office for his attention.

Then, in the true spirit of drama, just as the Four A's was slowly hauling down the flag, came the bugle call from across the Tasman signalling that

rescue was at hand. With the ban against Enzed commercials completely removed, the tit-for-tat argument that "as Australia prohibits our commercials, we should prohibit theirs" falls to the ground. And as most of the imported commercials bear an Oz label, there is no need for the code and it has been dropped.

As a result, New Zealand will be saved from imposing an embarrassing ban, considering that New Zealand-made commercials have screened in England, Ireland, Australia, Canada, America, Abu Dhabi, Bahrain, Dubai, Trieste, Hong Kong and Singapore.



TIME ENTERTAINS

While we're busy entertaining you, we're also busy entertaining ourselves. We're the only magazine that's been around for over 100 years. We're the only magazine that's been around for over 100 years. We're the only magazine that's been around for over 100 years.

Displaywriter
The brightest
new word
in Word
Processing from

IBM
Word Processing

Letters

Non-minussed by it all

YOUR May 11 *Admark* refers to an apparently non-plussed Lintas workforce upon noting the unauthorised wording on its famous Parnell sign. May I make the following points:

- The Lintas workforce is never non-plussed. We are always in a plussed condition.
- We were delighted that our sign had been defaced. It has happened before. It shows how envious our Parnell competitors are of our foresight, initiative and downright perspicacity in acquiring the site in the first place.
- We do welcome Campaign to Parnell. It is a comment on their own foresight and planning that they have moved to Parnell just as the major agencies, including Lintas, are moving to more salubrious surroundings (it is not true that we heard that Campaign were coming, but it may have accelerated the exodus).

• Their sense of humour doesn't match ours. We sent them a bill for a case of Dom Perignon in return for subletting the space. Not a jot or tittle has been heard from them since.

David J Murphy
Managing Director
SSC and B Lintas NZ

Investigate Socred

FOR a political party that claims credibility, Socred get off very lightly whenever it is quizzed about the responsibilities that go with being "credible."

Your article by Colin James (*NBR*, April 13) states that the media have been treating Socred benignly, and without criticism and, by implication, have not been inquiring deeply into what Socred means to do, what Socred means to legislate for if it ever became the

Government and what Socred means once one pries behind the jargon of Beetham-Hunter economics and associated jargon.

I would suggest that the media refuse to critically examine Socred because the media have become captivated by the image that is being created and manipulated by the Beetham cabal in Social Credit.

I would also suggest that the media have become so concerned about the constant threat of litigation by Socred whenever Socred is criticised that the policy has become duck and ask questions later once the flak has passed. I would also suggest that the media have become the prime vehicle for the trivialisation of news — rather than examine the root cause of the assassination attempt or the need for gun control in United States.

In New Zealand it takes the form of "did someone remove a lipstick from the National Party research office or did they not?" rather than digging to

find which National Party official gave the papers to Socred? And when it comes to Socred concentrating on the accusation of "Tooth Fairyism" rather than digging to reveal the faulty economics of the league's policies.

How many journalists and media personnel have really grilled Beetham, Hunter and company about the following points or others of a similar type.

(1) Why is not one economist in 118 who replied to a survey by Mr Des O'Dea, of the Institute of Economic Research, prepared to accept or give credibility to Socred economics?

(2) How does Socred (NZ) answer the findings of the 1956 Royal Commission into Social Credit which concluded that:

(a) "the result of repeated issues of debt-free money would be most serious chronic inflation", and (b) "the injections of large amounts of debt-free money would almost certainly accentuate current pro-

blems within the economy" which would mean higher unemployment, higher prices, further real falls in our living standards, and more misery and hardship for all?

(3) How can Beetham seriously claim credibility by refusing to discuss the effects of their economic policies on the New Zealand economy?

(4) How does Social Credit explain consequences of inflation proofing of savings in view of the Israeli experience of 130 per cent inflation as a result of such a policy?

(5) Where would the money come from to inflation proof all savings in the POSB and trustee banks, in view of the calculation made by economists that to do so in 1980 would cost \$1000 million just for the Trustee Banks?

(6) Could any Socred spokesman explain the actual mechanics of Social Credit finance policy adequately and sensibly so that a person with a modicum of intelligence and knowledge of money would understand. (And without the use of trivia like a comic book of doubtful value in economics but great in the trivialisation of news.)

(7) How about an explanation of the revolt against Socred by W Holt and others in Northland, which, coupled with calls for Beetham to resign, imply that all is not well in the Socred camp?

The answer is *none* and I would contend that given a hard and decent grilling about these and other questions, the response would be either a refusal to answer on the grounds we should all have faith, or an allegation of a deliberate smear campaign against the "pure-lily white" Beetham-Hunter Socred party by the other political parties on the New Zealand scene.

I make a plea to media people to stop their love affair with the trivia — the sensationalising of news — and begin to probe, to investigate and dig into news instead of taking the easy way out all the time.

A J Pappill
Whangarei

The nature of inflation

A FAILURE to think clearly is reflected in confused ideas as to what inflation and deflation are. Keith Rankin in his comment (*NBR*, May 11) on my statement "high interest rates are inflationary, not deflationary as the orthodox claim" illustrates the orthodox economists' mixture of the ideas of inflation with boom and deflation with slump.

Before we can start to grapple with inflation the word "inflation" must have one, single, clear meaning, the shrinkage of the size of our economic measuring unit, our dollar. The obverse of that is an overall rise in prices.

High interest rates are costs to every productive enterprise except the very few which are debt-free. They are also costs of living to every family which is not debt-free.

If the family is to remain solvent, wages must be raised to meet increased costs. An enterprise must raise prices of its products to cover higher wages and its own higher interest costs if it is to remain solvent. This process becomes circular and compounding.

Lacking any interest rates always tends to shrink the size of the economic measuring unit, particularly in the longer term. The length of time for this effect to occur depends on

how long it takes to pass a cost. High interest rates always fundamentally retardatory.

Under some circumstances inflationary shrinkage of the unit in real terms is accompanied by euphoria caused by prices appearing to rise faster than on a basis. Under these circumstances inflation shrinks the unit of boom.

Under the present circumstances in Britain, high interest rates by tight money policy produces inflationary slump. That is a classic case of the application of orthodox economic theory leading to unemployment, slump, inflation worse and worse.

After a temporary check, inflation rates, high interest rates there will cause inflation to gallop even faster than before Margaret Thatcher administered wrong medicine harshly.

Milton Friedman type of wrong medicine is doing the industrial base of Britain.

John R Peta
Tunney

Railways and 'slow track'

WHAT a shame that for the sake of a clever headline a story about the proposed railway development on Rail-land at Johnsonville had to bend the facts.

While the reported potential development was reported fairly accurately you could not resist the temptation but inaccurate imputation that the Railways Department is "sticking to a slow track for a Wellington proper development".

Too often it would seem, a story has to have a bright, catchy headline even if it does not reflect the rest of the story. Essentially the newspaper's problem with this development has been the difficulties faced by the developer in raising necessary finance.

It is certainly not a Railways policy to delay such developments, indeed we have been keen as anyone to see such a developed, and the problem at Johnsonville can hardly be blamed on a Railways "slow track".

The development concept is one means of taking private capital and public owned land and it has proved very successful in a number of cases, such as at Coleridge, Downs, Mairangi and Waiwaka. The concept was borne out of the need to be resolved in these types of developments, where construction can proceed and time is needed to overcome problems which might otherwise remain unsolved.

Financing is frequently a considerable hurdle, as is proving to be the case at Johnsonville.

However, I can assure you that this concept is being used to facilitate the private development of Railways land where complex issues can be resolved as quickly as possible.

In fact applications have been invited for another such scheme in connection with the redevelopment of the Wellington Railway Station and its floor and concourse, and interest has already been shown.

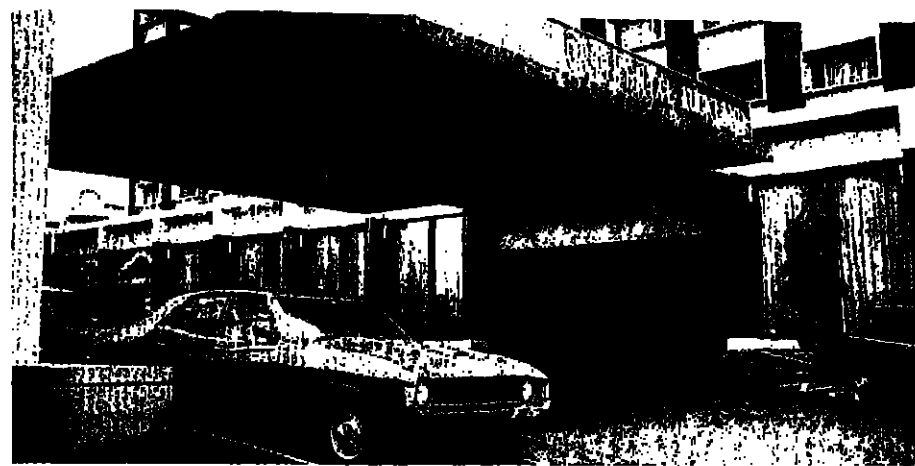
Thank you for the opportunity to put the situation in the context.

David Peta
New Zealand Railways

June 1, 1981

Tourism

Overseas interest in buying NZ prestige hotels



The "Big 1" ... key to Pacific-Aasia chain

"MUSICAL chairs" in the hotel industry suggests that overseas buyers have more confidence in the future of tourism here than the locals.

With the notable exception of Alex Harvey Industries which bought 51 per cent of Vacation Hotels Ltd from Fletcher, major deals have all had offshore connections.

Vacation had been a target of overseas interests for months before Asian-based Sommer Properties Ltd acquired a 22.65 per cent stake.

Interests controlled by Saudi Arabian millionaire Adnan Khashoggi showed their hand during the summer with a proposal to buy the shareholding of Fletcher Challenge and the merged group's super fund; but the Vacation board jibbed at the bid; management control would have shifted to Khashoggi's Southern Pacific Properties.

But it was probably desirable to bring in major new shareholders, particularly if they could provide capital to carry along the group's development plans, which include a new Bay of Islands resort complex.

Alex Harvey (operating from the board-room) and a "mystery buyer" made their moves in April.

Auckland brokers Bidwell Wideman Paine moved on-market with an attractive offer of 100c for each Vacation ordinary and 75c for the convertible preference in a bid for 24.9 per cent of the capital.

That percentage was a dead giveaway that the buyer was offshore and bound by the trigger point of 24.9 per cent beyond which Overseas Investment Commission approval is required. But the trigger is just that: a bigger stake might have been approved ... and still could be.

The party concerned was Sommer Properties, which has major hotel and property interests in South-east Asia and Australia, where it runs a large travel and tour operator and the Hyatt Kingdome.

Next up for Sommer Properties was the "Big 1" — and Auckland's transcontinental Properties Ltd proved the way to control. Seller of these interests is Dunrobin Investments, which acquired the property in 1979.

Connecting the two hotels is Vacation, which operates the "Big 1" as lease on a 30-year term. New Zealand United Corporation acts as secretary to AU and was presumably involved in the negotiations.

Sommer is believed to have a tour arm that wraps around the Japan-Hong Kong-Singapore-Indonesia-Australia belt and should have the

strength to pull tourist traffic to New Zealand ... and into the "Big 1" and Vacation's network.

If that is the case, Alex Harvey must be delighted with the potential of its newest investment.

The chattels are not only changing hands between Fletcher and AHL, but UEB Industries is quitting the 14-strong domestic chain Inns of the Pacific, which is acquired with the rest of Trans Holdings in the 1979 takeover.

UEB had already sold some of the concerns tagged as "family holiday" locations. That had left some choice real estate in key resort towns, such as the Trans Hotel and Country Inn at Queenstown, the Whalers Lodge at Picton, the sumptuous Chateau Regency at Christchurch, the Sherwood Motor Inn at Palmerston North, and the White Heron Regency at Parnell, Auckland.

UEB chief executive Rob Tedcastle aimed at selling the lot as a package and, it seems, negotiated with several parties before one buyer emerged with a bid (which went for consideration by the examiner of commercial practices).

UEB is keen to retain the Trans Tours operation, which doesn't leave much else from the well publicised \$9 million takeover bid. It was a major diversification at the time for UEB, a business based on packaging and carpets, and looking for a "third leg" for most of the 1970s.

At one point UEB tried to woo Skellerup Industries but was rebuffed. It found a willing partner in Trans Holdings at one UEB 50c ordinary share plus 70c cash for each \$1 Trans share. That valued Trans at \$1.20 against a pre-bid price of \$1.26.

The takeover has not been totally digested by UEB, but with hindsight it could have been a bargain at only \$9 million. Recognising that inflation has wreaked havoc since, that takeover included some fancy hotel names.

The Chateau Regency cost Trans \$3.4 million, but even the servicing requirement of \$30,000 a room was a much better proposition than building a new hotel.

The Chateau has a history unparalleled by any New Zealand hotel. Built by H P Holt Ltd (subsequently to suffer from its association with Securibank), the hotel was embroiled in caveats until placed to one side under special legislation investing control in a Government trustee.

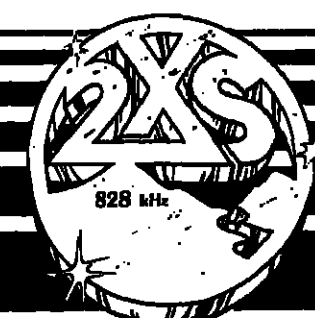
Before that, Securibank, the Chateau receiver, and the H P Holt creditors' committee attempted to sell the Chateau. A long line of hopeful buyers included Russell Alpine Ltd (whose financial adviser, Dr

Peter Clyne, left New Zealand with a warrant for his arrest as a prohibited migrant awaiting him should he ever return), the Nauru Phosphate Trust, and Texas millionaires.

Trans rescued the Chateau from statutory receivership, in association with Financial Enterprises of Palmerston North and Australian European Finance Corporation,

then took out a 10-year lease on the hotel with three three-yearly renewals, bringing the possible lease term to 19 years.

At the time, occupancy rate was a mere 50 per cent for the hotel, which has 93 suites and 180 beds. The occupancy rate has been boosted by tour traffic to the high 80s; in April, a revenue record of \$80,000 a week was recorded.

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Don't dismantle Twizel township — it's a potential

WE have entered the 1980s with our economy sliding into a deep depression, and there is going to be mammoth unemployment (which appears to be worldwide).

Surveys have projected that New Zealand's unemployment could reach 250,000 to 300,000 by 1984.

The embryo Aorangi region has an opportunity which is unlikely to occur again. The powers-that-be have ignored the potential.

Let's take the fully serviced town of Twizel — some 1122 houses and amenities capable of housing up to 6000 persons. It is a multi-million-dollar asset which, if positive action is not taken, could be destroyed and taken away from this region.

The underground services of this town alone are valued at \$14.5 million, plus the value of houses on top of that.

We have the problem of growing unemployment in the South Island and a lack of regional development, at a time when we need some stimulus to overcome the social problems and potential crime problems about to be caused by the unemployment bogey.

Admittedly there is a proposed Government re-training scheme, but there are insufficient jobs available; therefore labour-intensive projects must be considered if we are to progress.

The area from Omarama to Tekapo, at present poor, low-stock-carrying country, should be viewed with a plan of afforestation centred on the town of Twizel; as the hydro interest in Twizel decreases, forestry interest should increase.

Labour could be progressively drafted into Twizel from throughout the South Island,

and the existing houses could be offered at nominal rent as an incentive.

Large-scale planting could begin on Crown and private land throughout that area.

This plan will involve many Government departments, spear-headed by the Forestry, Lands & Survey, Ministry of Works and other agencies. It would not preclude private enterprise being induced to take up large tracts of planting programmes.

What was done at Kaingaroa in the North Island in the 1920s, creating a mammoth industry there, can be done in the Mackenzie Country between Omarama and Tekapo. The benefit to this portion of the South Island in the year 2020 can be envisaged.

We have the existing branch line to Kurov, which can be extended to Omarama.

Therefore it is feasible to rail the timber products and logs to the coast line for eventual export and processing, be it the ports of Timaru or Oamaru.

By the turn of the century, only 20 years away, profits would trickle in from this project and reach extremely large-scale proportions thereafter as the plantations mature.

This must stimulate industry which is stagnating in the South Island and at the same time create a wealthy asset in the hinterland.

While achieving this objective, admittedly long-term, we are going to solve our immediate unemployment problems both social and crime-wise, instead of destroying people's morale. They can then be trained in forestry techniques by the experts available.

Nurseries for the growing of young trees could be established

on the outskirts of Timaru or Oamaru where local labour will be involved, and trees would be sent to the Twizel project for planting, involving the employment of more persons in the Twizel township.

We have been repeatedly told our future lies in forestry, and energy of the future will be based on wood production. By welding together unemployment, second-rate land and a redundant town into a forestry project, we can make full use of our resources.

Afforestation was previously

discussed about 20 years ago in the Mackenzie Basin and was not viable. We must strongly contend that the situation must be considered in a different light, when we are endeavouring to overcome unemployment and create a labour-intensive project, which will develop with all aspects of forestry — nursery, cultivation, road, planting, thinning of trees and so on.

An inspection of the area discloses that trees do grow in this area, perhaps not as fast as other parts of New Zealand.

Synthetic fuels from coal

A SPOKESMAN for one of the largest American energy firms says commercial-scale plants capable of producing substantial quantities of synthetic fuels from coal could become operative within the next six years, if the United States Government is willing to assume some of the non-equity risks involved.

James L. Dunlap, vice president in charge of the Alternate Energy Department of Texaco, said the Synthetic Fuels Corporation authorised by Congress last year will play a key role in encouraging private firms to begin construction of such plants.

But he said the Reagan administration's programme of accelerated tax depreciation for US industry, now pending before Congress, "could be important, if not more important," than the Synthetic Fuels Corporation's assistance, because of the high capital costs required in synthetic fuels plants.

For example, Dunlap estimated it would cost \$375 million (in 1981 dollars) to construct a medium-BTU (British Thermal Unit) coal gasification facility capable of producing 50,000 barrels per day of equivalent. The estimated cost of producing one barrel of equivalent would be about \$5.

Those US firms that are likely to enter into synthetic fuels production are not ones

focus for South Island forestry growth on a large scale

Mention has been made of the slow growth rate, but it has been found that the Japanese are reluctant to purchase our present timber products because of their fast growth rate and what they suspect is inferior timber. Slower-growing timber from the Mackenzie area could well be to our advantage.

There are various types of trees that grow in colder climates and this could well be part of the study by the proposed committee.

Douglas fir is one type which

will grow in the Mackenzie Country where the conditions are similar to those in its country of origin.

In perspective, 10 years more in a long-term project such as the Mackenzie Country afforestation is of little consequence.

The question of land availability is paramount. Available Crown land should be used, and land purchased if necessary, with perhaps the greatest participation coming from the run-holders



themselves. They could be encouraged to make land available and to share in the ultimate profit.

It has been calculated that more national wealth can be achieved from this area by afforestation than will ever be produced by meat or wool.

Twizel is the ideal centre for such an ambitious scheme. The town is fully serviced and there are houses available for workers.

Cheap accommodation could be offered as an incentive to begin forestry in the area, and

it could well become a major sponsored Government project, to visibly show the public that purposeful constructive steps are being taken to combat unemployment.

What is suggested is that a military-type task-force approach to unemployment be adopted.

The time for action and less dialogue has obviously arrived and Government must lead the way.

Government departments have the expertise and equipment to launch a major attack.

IN the last seven issues of NBR, reporter Allen Parker examined the Government's resource development strategy and the problems inherent in its implementation.

While the series was being published, the Labour Party spelled out its economic policy — a clear alternative for voters.

But what do NBR readers think? Late last year we sought ideas from readers for making use of our limited, though relatively cheap, energy resources and our surplus labour.

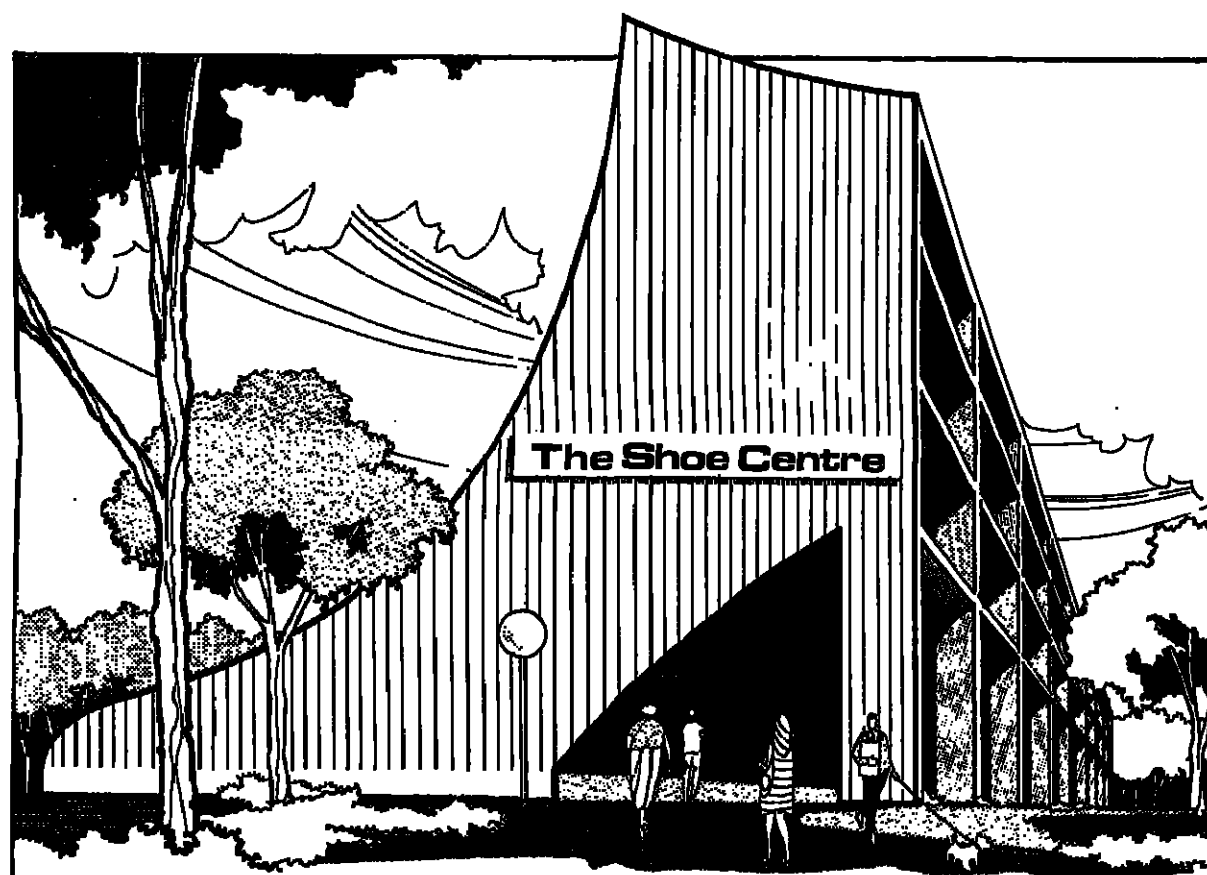
Our intention was to show that there were a number of ways to use our scarce resources that either singly or in aggregate might produce national benefits as great as those produced by the proposed South Pacific Aluminium Smelter (SPA) at Aromona.

To encourage readers to spend a few hours jotting down their ideas, we offered contributors' rates (1000 words: \$60) for any ideas which we print.

These ideas have been considered by NBR in terms of their potential national benefit, their approximate rate of return, the number of new jobs created in relation to the amount invested in the project, the foreign exchange benefits and the amount of foreign investment generated, if any.

This week, we begin publication of selected submissions (which are not being presented in any order of preference, but which meet the criteria we set out):

This week's contribution was submitted by R M Veitch, president of the Timaru South Rotary Club. It is the plan for a Rotary project being adopted in South Canterbury.



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developed in US

concerned about the possibility that the Organisation of Petroleum Exporting Countries (OPEC) might decide to cut world oil prices once plant construction is under way, Dunlap explained. Rather, they are more concerned that future US Government regulatory decisions might make such investments unprofitable.

Duncan noted that Texaco has developed the only US-originated technology for converting coal into high-and medium-BTU synthetic gas. This "entrained-bed" process is expected to be involved in 16 of the coal gasification projects that have applied to the synthetic fuels corporation for financial assistance.

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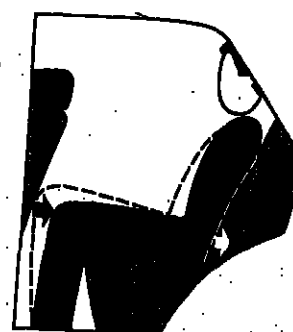
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TOYOTA Ahead in the 80's.

Government administration

Dwindling medical subsidy cuts back visits to doctor

STATE subsidies for visits to the family doctor have become so eroded they no longer benefit most paying health consumers.

When the general medical services benefit was introduced in 1941 it almost did amount to "free" medicine. The 75 cents equivalent paid for between 100 and 70 per cent of the patient's bill, depending on the doctor's charges.

If that 75-cent benefit had been adjusted by the consumer price index it would amount to \$7.75, which would still pay for the total bill (using the Health Department's average fee assessment of \$7.75), or at the very least 70 per cent (using the top of the range fee of \$11 a consultation) of the bill.

But the 75 cents has been adjusted only once, in 1972, and now stands at a rather insignificant (for patients) \$1.25.

The erosion of its value is such that the benefit now only pays for between 16 and 11 per cent of the bill.

The age beneficiary's benefit of \$3, and the children's benefit of \$4.75, stand up slightly better in comparison, but neither provides a healthy reminiscence of the 1940s.

The economic erosion of the subsidy is having an effect in a number of areas.

The health of the nation is never worse than in an election year, at least to opposition parties, and the dwindling value of the general medical services



Medical care... exception rather than rule

benefit (GMS) has already been raised.

Labour's spokesman on health, Dr Michael Bassett, says the benefit has got to go up. But when and by how much?

Bassett wisely says that's a matter for the Budget. He does commit himself to an increase across the board of \$1 "at the very least".

But mindful that this is mere meddling, Bassett says there

would have to be further increases, and the benefit may have to be indexed.

Social Credit's health spokesman, Eddie O'Connor, has an expensive surprise package tucked away among the policies he is evolving on his farm near Westport. Up goes the \$1.25 fee to meet 66 per cent of "the average common fee", which effectively makes it \$5.16.

Up goes the amount to cover the full fee for those on economic benefits, an effective increase from \$3 to \$7.75.

Up goes the children's subsidy to meet five-sixths of the fee, an effective increase from \$4.75 to \$6.45.

Somewhere Social Credit will have to find \$35.8 million to finance the deal, just over twice the total GMS bill for 1979-80.

National's Health Minister, George Gair, is being coy. Until the budget is decided the GMS, along with all non-indexed benefits, is automatically under investigation.

But don't look for surprises. Gair says the \$11.8 million an across-the-board increase of \$1 would cost is more than he expects the health vote to grow by.

In the real world of out-of-pocket expenses, the erosion of subsidised family doctor treatment is taking its toll on certain groups.

Recent publicity in Dunedin showed some young unemployed people cannot afford to seek medical treatment, often for quite serious conditions like anaemia, venereal disease, epilepsy, malnutrition, alcoholism, and so the list goes on.

The same holds for some solo parents with children in need of treatment. It's not that the doctors are refusing treatment for non-paying clients. Quite the opposite, but everyone has their pride, and that's what is leading to the fall.

Family doctors are apparently being faced with more bad debts from patients and the amount owed is increasing.

But the effect most startling to many observers is the first sign of a decline in the number of visits to the family doctor.

For the first time in a decade the total GMS bill dropped between 1978-79 to 1979-80. Since the benefit remained static, the only logical explanation is fewer doctor consultations. This trend receives support in figures collated by the

health planning and research unit of the Health Department in Christchurch.

There may be grounds for arguing many patient consultations are over trivial or unnecessary matters. But there is no evidence that the erosion of the subsidy has selectively eradicated these visits.

Some doctors have observed it is the younger people and older people who are having the most difficulty paying their bills. Since they are the most frequent consumers of health services the effect is cumulative.

But not everybody is losing out of the trend.

"The costs of everyday medical treatment were once thought of as little more than a household expense. But with general practitioners now regularly having to charge up to \$10 for a consultation, such items soon accumulate to sums that are undoubtedly insurmountable," said L. H. Watson, chairman of the Southern Cross Medical Care Society, in his latest annual report.

Based in Auckland, the society is the largest of the medical insurers operating in New Zealand, but not the sole one, and works on a non-profit basis.

Between 1970 and 1980 membership rose from 92,023 to 654,225 and now covers about 20 per cent of the entire population.

Of more significance, funds paid out increased by 5101 per cent (compared to the 710 per cent membership increase in the same period). This indicates medical insurance is now being used, not just for private hospitalisation, but everyday family doctor consultations.

And a large section of the population, not just the "up-market" people, is looking to the private sector to fill the gap.

Now the overriding consideration of an overhaul of the GMS looms large. But how to go about it?

There are a number of logical options: restore the relativity, carve the amount available for benefits up and reapportion it; or scrap the whole thing.

To restore relativity by adjusting the benefits by the consumer price index would increase the 1979-80 total GMS bill from \$34.95 million to more than \$80 million. Such a remedy is expensive and does not go far towards the cry for reduced taxes.

So far no political party has advocated it outright, though Social Credit comes close.

Carving up the existing funds available, on Social Welfare Department principles at least helps some. For example, if the \$1.25 benefit were scrapped (increasing some patients' bills about 16 per cent) it would release \$6.3 million in 1979-80 terms.

In other words, the children's benefit could be increased to \$5.95 and the age beneficiaries to \$4.20 without increasing the health vote.

That means the state would foot 77 per cent of a child's bill and 54 per cent of the age beneficiaries, which is a meaningful option for a smaller population.

Such a move is more likely to take its rightful political place after rather than before the election.

Throwing the benefit system out is "probably" political suicide, but the effect is no different than the "do nothing" option, except that in the latter

case events will take their own course rather than be planned.

In theory the effect would be to move family medicine costs from social welfare funding to a complete user-pay system.

In practice, there is no developed country in the world that sustains a user-pay system. Consumers of medical services cannot afford the full cost anywhere.

Enter private enterprise, principally medical insurance. It may be an audit would show taxes needed to sustain the GMS are more expensive than a health insurance scheme.

But the effects do not stop at direct economic arguments. A move to private enterprise has considerable socio-economic implications.

Private funding introduces the concept of accountability.

The Social Welfare subsidy has fostered the concept of the

grateful patient placing strong trust in the doctor's ability to deliver the goods within a benevolent system.

Private funding fosters a critical, sophisticated, demanding health consumer. Like other goods and services purchased, medical services and those delivering them come under close scrutiny in a value-for-money analysis.

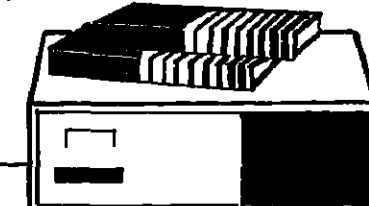
And the funding institutions have a vested economic interest in contesting claims, opening the back door to the plague of the United States system, the malpractice suit.

The options are there, but a continuation of the do-nothing policy that has eroded the GMS is threatening to dictate the terms. What is done with the GMS in the short, maybe very short, term, will undoubtedly dictate the long-term future of medical services.

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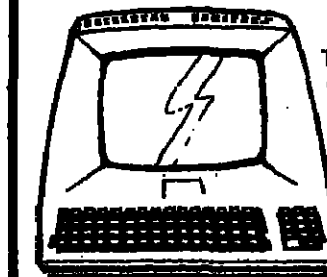
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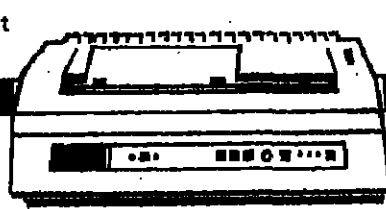
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LAPEL

We Hold The Keys To Your Success

Canadian Socred: a spent, conservative political force

SOCIAL Credit has been sweeping the opinion polls in New Zealand, eclipsing Labour as an opposition.

In Canada, Socred is a regional movement with a conservative bias. As such the party has had its successes. In Canadian federal politics Socred is a spent force.

The federal party is in tatters, split by internal bickering and weakened by defections to other banners.

Even in its best year, with members from Alberta, Quebec, and British Columbia, the party could muster only 30 votes or 11 per cent of the House of Commons.

Today, it doesn't have a single seat in the federal Parliament.

The one bright spot in the party's history, certainly the most memorable, is the role it played in Joe Clark's downfall in December 1979.

Clark's minority government depended on the support of the Quebec Socreds — Alberta and British Columbia stopped sending Social Credit members to Ottawa in 1968.

Five times Clark's government was threatened with no-confidence votes. Five times the Social Creditors got in behind.

Then, in a budget measure, Clark proposed a 15 cent hike in the price of diesel fuel to farmers, the backbone of Socred support.

It was the last straw. When Clark forced the issue the tiny five-member Socred party declined to vote and the man who had inspired headlines of "Joe Who?" when elected six months earlier was no longer Prime Minister.

Clark wasn't the only loser. In the ensuing elections Social Credit lost all five of its seats in a Parliament now divided among Liberals (146), Progressive Conservatives (103) and New Democrats (32).

In two of Canada's 10 provinces, however, Social Credit parties have prospered.

A Social Credit party governed Alberta for 36 years while across the Rockies in British Columbia a Social Credit government has been in power, except for one brief term, since 1952.

Each was set up for a different reason. Both carry the same name.

In Alberta the "movement" began in circumstances not unlike those that brought Labour to power in New Zealand in 1935 — thousands of unemployed and a government that seemed to be doing little about the desperate plight of the poor, the homeless, and the bankrupt.

Alberta's "Uncle Scrim" was 56-year-old high school principal William Aberhart, a lay preacher who had studied Douglas monetary reform and become convinced it held some of the answers to the problems of the Depression.

In regular Sunday radio broadcasts the message of "Bible Bill", founder of the Calgary Prophetic Bible Institute, boomed across the Prairies.

"The resources of the country belong to the people of the country, not to foreign interest."

"Every adult in Alberta is entitled to \$25.00 a month — that's the real wealth of the province."

Where was the money going to come from?

"Out of a fountain pen... You can't take a wheelbarrow

into a bank, present a piece of paper in the form of a cheque and come out with a lump of gold bricks! They just give you some other pieces of paper and call it money!"

Social Credit study groups sprang up all over Alberta. Candidates were fielded in the 1935 provincial elections and in the rout that followed Social Credit collected 56 of the 63 seats.

"Bible Bill", who had wanted to remain a "political

seven years of office remaining to him Aberhart was forced to revert to financial orthodoxy, a policy continued by his successor, Ernest Manning.

Manning, formerly Minister of Trade and Industry, was to preside over the party's fortunes for the next 24 years.

He styled himself a "social conservative". To him the socialist New Democratic Party (NDP) was "dominated by hardline reactionaries and extremists. The union bosses had

servative Party of Canada and the Social Credit Movement of Alberta."

Manning was prepared to see his own party absorbed into a "far bigger and more effective social conservative force".

It wasn't long coming. Shortly after Manning retired as Premier (to take up a string of directorships, including one with the Canadian Imperial Bank of Commerce) the Progressive Conservatives swept into power, ending 36 years of

It was founded by WAC ("Wacky") Bennett, a Conservative who broke ranks to become an independent and then, with dissident Conservatives and a few Liberals formed a new coalition to face the 'socialist threat' of the Co-operative Commonwealth Federation (CCF), the Depression-born forerunner to the New Democrats.

The name chosen for the new party, "Social Credit", had a lot to recommend it. It was

course. Bennett was implicated in an attempt to circumvent immigration laws on behalf of a friend. And his Highway Minister, the "evangelical speed freak" Gagliardi, was frequently in trouble with highway traffic officers and the crown. Another story had Gagliardi lying around to revive ailing and charging his expenses to both his hosts and his government.

By 1972 the party was jaded and complacent with membership down to a few thousand. Bennett went to the polls as an inflation-fighter, determined to hold wage increases for teachers, doctors and civil servants to six and a half per cent.

The teachers, in particular, wanted more and three days weight behind the New Democrats. Social Credit lost less than a year later Bennett resigned his seat, allowing his 41-year-old son, Bill, to go both election and the leadership of the party.

The younger Bennett lumbered away at the NDP government with well-aided charges of financial mismanagement and was rewarded in 1975 when Social Credit was returned with a comfortable majority.

Since then, however, the coalition's fortunes have declined. The party scraped home in 1979 by five seats but still has the smell of election malpractice and "dirty tricks" hanging over it.

Even Bennett's extreme popular experiment in people's capitalism — the distribution of the assets of the British Columbia Resources Investment Corporation (BCRIC) in live-share dollops to every man, woman and child in the province — has gone awry. BCRIC's market value plummeted after a messy takeover bid.

Bennett admits he is not passing his message across and must be difficult for him understanding the largely rural backbone of the party while trying to win votes in the centre.

The latest opinion polls illustrate Socred's dwindling popularity and it's widely conceded the NDP will form the next government.

Perhaps the greatest long-term threat to the party, however, is the potential birth of the provincial Conservatives under new leader Brian Westwood. In the past, Conservative and Liberal vote dissolved into Socred. But if the Conservatives get away, as Lougheed's conservatives did in Alberta, Social Credit could experience tensions not survive.

To Canadians that no longer fashionable national — very much well known quantity — Special Correspondent

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adviser' in the event of a Social Credit victory, was persuaded to become Premier.

He experimented with Douglas monetary theories for a year before giving up.

The \$25 a month never materialised. Instead a trial system of "prosperity certificates" (the original "funny money") was established. But it never caught on and was dropped.

One policy plank that was fulfilled was the takeover of certain oilfields and mineral resources.

But every time Aberhart tried a monetary reform he was blocked by Ottawa, the fiscal policy-maker. (Beehman attempted much the same thing when Mayor of Hamilton and was vetoed by Wellington. To what extent both were moves to appease Douglasians within the party is not known.)

Whatever the case, in the

taken over from the agricultural wing.

The Liberals were too "collectivist". Their expanded social welfare programmes savoured of political expediency while economic growth was allowed to fall into neglect.

No, the bright star on the horizon was a revamped Progressive Conservative Party.

"In Alberta, it is a well-known fact that in recent years large numbers of people have faithfully supported Progressive Conservative candidates federally and Social Credit candidates provincially," said Manning.

Either these people are totally inconsistent in their approach to federal and provincial politics, which is certainly not the case, or this voting pattern is an indication of the marked similarity between many basic principles and objectives of the Progressive Con-

tinuous Social Credit rule.

Today, under Peter Lougheed the Progressive Conservatives hold 74 of the 79 seats in the provincial assembly. The Social Credit party of Alberta has four seats, is \$250,000 in the red, and there is lingering mistrust over new leader Rod Sykes.

Many supporters say Social Credit's only chance of political survival in Alberta is to become more free enterprise-oriented than "Lougheed's lot".

However, the Social Credit party in neighbouring British Columbia is faring rather better. It is still in power, clinging to a four-seat majority over the New Democrats.

But an important distinction must be made. In Alberta the history of Social Credit is one of a steady move from the left to the right. In British Columbia the party was conservative from the outset.

neither "Conservative" nor "Liberal" and would no doubt achieve a degree of respectability through its association with the politically successful party of the same name in Alberta.

The theories of Major Douglas that had inspired Aberhart some 15 years before, however, would be quietly forgotten. (It's interesting to note in this context that the British Columbian Social Crediters who recently toured New Zealand urged Socreds here not to get bogged down with talk of monetary reform.)

The people of British Columbia were willing to give Bennett's "free-enterprisers" a go and in 1952 Social Credit was elected to office.

Bennett managed to keep his liberal-conservative coalition together for 20 years and on the whole the party lived up to its promise of good government. There were scandals, of

Constitutional niceties — as they relate to rubbish

by Jack Hodder

THE future Dannevirke rubbish dump is an improbable starting point for a consideration of the niceties of constitutional and administrative law. But legal niceties must be added to factual situations and in the Chief Justice's recent decision in *Dannevirke Borough Council v Governor-General and Minister of Works* (Wellington, A 18480; 11 May 1981) it was that rubbish dump which was in issue.

In 1977 the council, conscious of the limited life left in its existing rubbish dump, started looking for a site for a new rubbish dump. It decided on a site of 25 hectares inside the borough boundaries and adjacent to the existing dump.

It proceeded to get the necessary approvals under the town planning legislation and the Water and Soil Conservation Act. But there was a bit of a problem in actually purchasing the land.

It was Maori land in two parcels and with a total of seven owners. The council could not obtain their agreement to sell, or at least not at a price acceptable to the council. Such situations are not without precedent and the council called in the heavy artillery of the Public Works Act 1928.

It took the various preparatory steps required for a proclamation by the Governor-General declaring that the land in question was being taken compulsorily for a public work in terms of the Act.

But no such proclamation was forthcoming. That was because the Governor-General ordinarily acts only on the advice of Ministers of the Crown and Cabinet had agreed with the Minister of Maori Affairs that Maori land was a "special issue" and that such land should not be compulsorily acquired in this case.

Thus the Minister of Works consistently declined to recommend the making of the pro-

clamation to the Governor-General.

The council took the matter to the High Court earlier this month and the Chief Justice directed the Minister to reconsider the council's application for a proclamation without having regard to the Maori land ownership aspect. A week later the Minister announced that he would be recommending the proclamation.

The Chief Justice's decision was based on a conflict between the Government's political policy (not to allow the compulsory acquisition of Maori land — which in fact goes further than the policy outlined in the 1978 National Party manifesto) and the policy of the Public Works Act 1928 (to ensure that land is available for construction of necessary public works). The Act does not provide for the exemption of particular classes of landowners from its provisions and thus the political policy could not outweigh the policy implicit in the Act. Discretions given under an Act (in this case as to the making of a proclamation) must be exercised to promote the policy and objects of the Act, not defeat them.

And so the Chief Justice was able to say to the Minister that, although the Government's policy might be a good one and held in good faith, it was the High Court's duty to direct him that the policy was not permissible under the present Act.

There was a brief mention in passing of the well known *Fitzgerald v Muldoon* case but, perhaps surprisingly, none of the rather closer *Taharo Properties v Rowling* decision. The latter decision was also concerned with the exercise of a statutory discretion by a Minister to promote a policy unrelated to the policy implicit in the statute.

Although the litigation has achieved the council's end and the Minister has recognised his error, there are some important question marks associated with

the case. There is space here to mention two of them.

The proceedings taken by the council were in the form of an application for judicial review. Such review must relate to the exercise of a "statutory power".

Under the Public Works Act the Governor-General has a statutory power to issue a proclamation taking land. There is nothing in the relevant part of the Act (section 23(d)) about the Minister.

Yet the case proceeded on the basis of a review of the Minister's decision not to advise the Governor-General to issue a proclamation.

It is a fact that the Governor-General (in all but the most extraordinary of cases, for example, the Whitlam sacking) acts on the advice of Ministers. This is a constitutional convention and also spelled out in the

Royal Letters Patent and Instructions which constitute the office of Governor-General.

But, as the Court of Appeal pointed out a month before the Chief Justice's decision, in tendering advice pursuant to convention or the Letters Patent a Minister is not exercising any statutory power and a statutory reference to the Governor-General does not import any statutory reference to a Minister.

That Court of Appeal decision in *Slipper Island Resort Ltd v Minister of Works and Thames County Council* (CA 97178; 1 April 1981) also involved the Public Works Act. The applicant company sought the revocation of a proclamation which had taken land formerly owned by it.

The relevant section in the Act refers to the Governor-General but not to the

Minister. In July 1978, Mr Justice Speight held that the Minister's decision not to recommend revocation was not reviewable as it was not taken pursuant to any statutory power. The Court of Appeal affirmed his decision.

In view of the fact that it was the Minister of Works who had won on that point in the *Slipper Island* case it is perhaps surprising that the Crown lawyers arguing the *Dannevirke Borough* case did not object to that case being dealt with "as if the Minister's right to advise was embodied in the Act in the same terms as the Governor-General's power is expressed in s 23(d)".

(It should be pointed out that the latter case was argued a month before the Court of Appeal heard the appeal in the former case.)

The second question mark is

of a more general nature. It involves the political/constitutional question of the proper extent of judicial review of Ministerial decisions.

In the *Dannevirke Borough* case, the Chief Justice (following well established precedents) looked at the Act and spelled out the policy which he found implicit in it. If the discretion being exercised under a power given under the Act was not being used to promote that policy it had not been properly exercised.

The solution for the Government, the Chief Justice pointed out, was to put new legislation before Parliament. (In fact the new Public Works Bill was introduced last year for recess study.) But how does a legislative draftsman anticipate the level of abstraction at which judges will define the policy in any Act?

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